FirstCaribbean International Bank

GET THERE. TOGETHER.

FirstCaribbean International Bank (Bahamas) Limited Annual Report 2009

FirstCaribbean International Bank is a member of the CIBC Group.

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Corporate Profile

FirstCaribbean International Bank is a relationship bank offering a full range of market-leading financial services in Corporate Banking, Investment Banking, Treasury Sales and Trading, Retail Banking, Wealth Management, and Credit Cards. We provide banking services that matter to our customers through 775 employees, in 19 branches nationwide. Our parent company (FirstCaribbean International Bank Limited) is the largest regionally-listed financial services institution in the English and Dutch speaking Caribbean, with over US$10.5 billion in assets and market capitalisation of US$2.0 billion.

Our Mission:
To be the Bank of first choice for customers in the Caribbean, leading the region in building quality relationships with our clients, by providing them with innovative banking solutions to suit their needs.

Our Strategic Imperative:
To build long-lasting client relationships by focusing on five key strategic priorities:

- Enhancing Customer Value by deepening customer relationships
- Diversification of our income streams
- Balance Sheet Management to optimise returns
- Improved Productivity and Control to improve the speed and quality of service to our customers
- Leveraging our relationship with our ultimate parent, CIBC, to provide our customers with the benefits of being a member of the CIBC group.

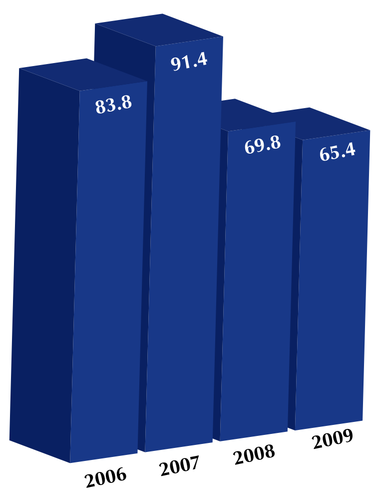
Customers:
Retail and Wealth Management focused on building and enhancing customer relationships through a series of customer service, product, and channel enhancements. In 2009, we launched a new consumer deposit product suite that provides customers with banking solutions designed to meet their needs. We also rolled out our new British Airways Visa Platinum Credit Card. During the year, we substantially improved our Internet Banking service and increased the number of companies signed up for our bill payment services.

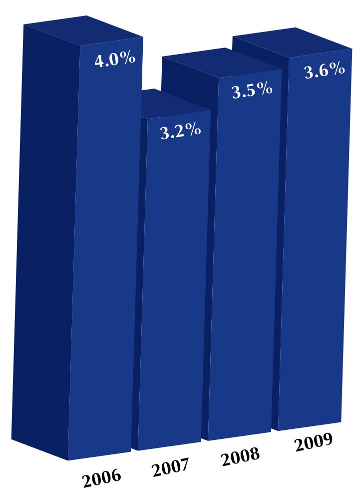
Corporate Investment Banking (CIB) realigned its business and adopted a team approach for customer coverage, designed to integrate the sales and service functions to provide seamless and high quality service to Corporate and Investment Banking customers. With a focus on deepening our relationships with our clients, we are developing innovative solutions to assist in adapting to the economic slowdown. We also introduced dedicated Client Services Teams for every mid-market client. With this new approach Relationship Managers have more time to address solution delivery for clients and transaction requests.

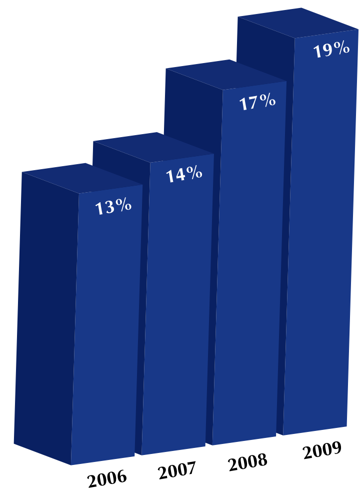
Employees:
FirstCaribbean's commitment to building employee competence and promoting talent and leadership development continued through a series of learning opportunities offered to our employees. The investment in training met through the FirstCaribbean University included leadership, personal development, core banking and systems training.

Shareholders:
We continue to maintain strong capital ratios, with Tier I Capital ratio at 18.85% and Tier I & Tier II Capital ratio at 19.46% at the end of 2009. Also in 2009, we paid total dividends to our shareholders of 31 cents per share and delivered a return on equity of 16.7%.

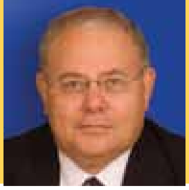
Financial Highlights 2009







B$(000), except per share amounts, as at or for the year ended October 31	**2009**	**2008**	**2007**	**2006**
Common share information				
Earnings per share-basic	65.4	69.8	91.4	83.8
Share price	9.87	11.6	14.65	14
Shares outstanding (thousands) – end of period	120,216	120,216	120,216	120,216
Market capitalisation	1,186,532	1,394,506	1,761,164	1,683,024
Value measures				
Price to earnings multiple	15.1	16.6	16.0	16.7
Dividend yield	3.5%	3.9%	3.2%	4.3%
Dividend payout ratio	54%	64%	51%	66%
Financial results				
Total revenue	168,235	171,594	179,303	171,897
Loans loss impairment expense	18,519	23,350	12,339	5,324
Operating expenses	71,079	64,340	57,104	65,873
Net income	78,637	83,904	109,860	100,700
Financial measures				
Efficiency ratio	42.0%	38.0%	32.0%	38.0%
Return on equity	16.7%	18.2%	25.2%	26.0%
Net interest margin	3.6%	3.5%	3.2%	4.0%
Balance sheet information				
Loans and advances to customers	2,541,756	2,539,072	2,415,975	2,425,951
Total assets	3,762,672	4,137,990	4,668,455	4,423,961
Deposits & other borrowed funds	2,985,964	3,445,010	3,939,577	3,785,247
Total equity	707,181	645,812	643,332	596,738
Balance sheet quality measures				
Common equity to risk weighted assets	26%	23%	21%	20%
Risk weighted assets	2,712,548	2,848,214	3,085,406	2,944,263
Tier I capital ratio	19%	17%	14%	13%
Tier I and II capital ratio	19%	16%	15%	14%
Other information				
Full time equivalent employees	775	798	784	784



Executive Chairman
Michael K. Mansoor

Chairman's Letter

I am pleased to report that our 2009 financial results and overall performance were fundamentally strong despite the continuing lack of real growth and generally weak economic conditions that persisted in The Bahamas and the Turks & Caicos Islands.

The Bahamas Operating Company achieved net income of $78.6 million ($83.9 million in 2008) and a total dividend of US$0.31 per share was declared and paid on the basis of these results.

A review of the financial analysis contained in this annual report will show that in the circumstances which prevailed, our business performed well in all key segments and, more importantly, the bank is well capitalised and in strong and stable financial condition.

What this means is that we are well positioned to capitalise on economic improvements and expansion, which are expected to begin in 2010 with world economic recovery.

While the economies in which we operate and by extension your Bank are impacted by international global factors, we have been able to achieve good financial results because of our focus on client service and an unrelenting commitment to product, systems and technology excellence and the maintenance of a robust risk and control culture.

In addition, we have been able to motivate our people to work assiduously to service and retain our clientele and we have maintained the level of investment in training, learning and development.

Just as importantly, we have made excellent progress in strengthening the basic infrastructure of the Bank in the key areas of control, technology and management policies and structures to promote judicious cost control, product enhancements and efficient service delivery.

Our efforts and activities continue to receive international recognition with our Bahamas business receiving its fourth consecutive Bank of the Year Award from *The Financial Times.*

Your Board of Directors has provided strong leadership in ensuring that all elements of our governance structure are in place and functioning and also monitoring the financial and overall performance of the business.

I wish to place on record our appreciation to all our directors, executives and the almost 800 client serving and support people for their tremendous contribution during this difficult but successful year.

I also thank our customers for their continuing loyalty and our host Governments and Regulators for their support during the year.

Michael K. Mansoor
Chairman

Managing Director
Sharon E. Brown

Managing Director's Review

In 2009, strong management and a prudent approach to risk contributed to FirstCaribbean Bahamas' winning the Bank of the Year Award for The Bahamas from the world-renowned *Financial Times.* Fiscal prudence and the support of employees and customers during one of the most difficult periods faced by the banking community in decades make this fourth consecutive award and recognition particularly symbolic.

Financial Performance
Despite the very challenging global environment impacting the economies of The Bahamas and the Turks & Caicos Islands, the Bank has delivered quite commendable financial results. This reflects the resilience of our core business, our robust risk policies and practices, as well as some significant capital market opportunities. Net income of $78.6 million or 65.4 cents per share was delivered in 2009, $5.3million and 4.4 cents less than 2008. The securities trading portfolio was sold in 2009 and despite the limited new opportunities, loans and advances to customers were stable year over year.

Retail and Wealth Management Business
In 2009, we focused on building and enhancing relationships with our customers. We re-engineered our customer service delivery to enhance the customer's experience and improved and expanded our product offering. Our loan process was restructured and visible improvements made to loan turnaround time. Additionally, we launched a new customer-centric deposit product suite providing greater product choice and opportunities to save. On the credit product side, we now offer more bundled products. We successfully launched the British Airways Visa Platinum Credit Card, and our electronic channels were enhanced with a significantly improved look and feel to our Internet Banking. Our customers in the Turks & Caicos Islands also benefited from these new enhancements and improvements and their branch network was expanded with the addition of a second location in Providenciales – our Grace Bay Branch.

Corporate Investment Banking
Despite a decrease in the inflow of foreign direct investments and the contraction in domestic economic activity, Corporate Investment Banking performed solidly in developing innovative solutions to meet our clients' needs. The realignment of the delivery of all products and services for the corporate customer under Corporate Investment Banking has strengthened the depth of our offering and services to our corporate clients. Significant transactions, in 2009 include closing the Government of The Bahamas US$200 million syndicated loan facility with Royal Bank of Canada; leading the Bahamas Electricity Corporation's US$211 million syndicated loan; and Placement Agents for the Nassau Airport Development's $42 million in Senior Notes and $70 million Participating Debt Issue.

Our newly-implemented Senior Coverage Model, which provides our Government and large corporate clients with a team comprising the Director, dedicated Relationship Managers and Sector and Product Specialists, is working well as we look to serve our clients' unique needs and provide innovative solutions during these challenging times.

Community Partnership
In 2009, our community partnerships and sponsorship continued with particular focus on youth, education and the environment. The Bank made a substantial donation to the Downtown Nassau Revitalisation Project, which aims to redevelop the "City of Nassau." Our sponsorship of both the College of The Bahamas' President's Scholars Programme and The Bahamas National Trust's Discovery Club Programme continued. FirstCaribbean-sponsored Illusions – a Junior Achievement Company – performed well, receiving several awards at the close of the JA year. In 2009, four distinguished Unsung Heroes in the persons of Jenny Pinder and Isabella Newton from Grand Bahama; and Sheila Culmer and Carleton Williams from Nassau, were rewarded. The Bank also donated to several other charities, and cultural and sporting activities.

Our People
Our people make our institution and we are committed to providing a stimulating and enjoyable work environment. Through our "One Team, One Bank" initiative, we continue to foster camaraderie, and a strong and friendly competitive environment. Over the past year, we also focused on leadership development and skills enhancement. Our staff continued to excel in performance and service with two members recognised as Regional Helpful Partner Player of the Series Winners – Peter Butler, Technical Support Analyst and Brannita Bowles, Customer Service Representative, JFK Branch. On a quarterly basis, several staff are identified and rewarded for performance excellence.

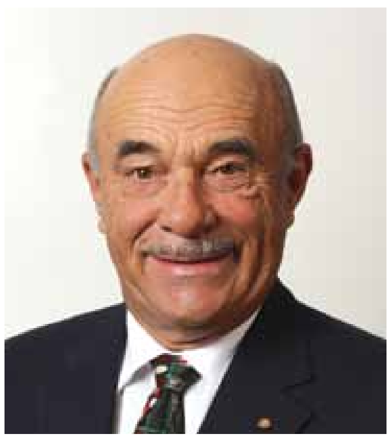
Appreciation
As I retire from the position as Managing Director, I extend thanks, gratitude and appreciation to our valued staff and loyal customers for their many years of support. It is through their continuing support that such commendable financial results and international awards have been achieved. I am also very appreciative of our many shareholders who continue to demonstrate their confidence in the Bank. I also say a very special thank you to our Board of Directors for their wise counsel and strong governance oversight.

Sharon E. Brown
Managing Director – Bahamas and Turks & Caicos

Board of Directors

Michael Mansoor
Chairman,
FirstCaribbean International Bank

Sharon Brown
Managing Director,
The Bahamas and Turks &
Caicos Islands



Terence Hilts
Retired Banker

G. Diane Stewart
Attorney-at-Law

Willie Moss
Attorney-at-Law

Joseph Krukowski
Chairman, Doctors Hospital
Health System Limited

Senior Management and Advisors

Country Management Committee

Seated, l-r are: **Teresa Williams,** Senior Manager, Managing Director's Office; **Sharon Brown,** Managing Director; and **Annamaria DeGregory,** Retail Banking Director.
Standing, l-r are: **Basil Longley,** Manager, Regional Technical Support; **Siobhan Lloyd,** Head of Human Resources; **Renee Moore,** Treasurer; **Peter Horton,** Corporate Banking Director; **Catherine Gibson,** Associate Director, Capital Markets; **Darron Cash,** Chief Financial Officer; **Dolly Young,** Legal Counsel; **Andrew McFall,** Senior Manager, Receivables Management and **Jennifer Brown,** Director Regional Operations, Northern Caribbean.

BOARD OF DIRECTORS

Michael Mansoor – Chairman
Sharon Brown
Terence R. Hilts
Joseph W. P. Krukowski
Willie Moss
G. Diane Stewart

CORPORATE SECRETARY
Teresa S. Williams

SENIOR MANAGEMENT

Sharon Brown
Managing Director

Jennifer Brown
Director, Regional Operations
Northern Caribbean

Darron B. Cash
Chief Financial Officer

Annamaria DeGregory
Director, Retail Banking &
Personal Wealth

Catherine Gibson
Associate Director, Investment Banking

Peter Horton
Corporate Banking Director

Siobhan Lloyd
Head of Human Resources,
Bahamas and Turks & Caicos Islands

Basil Longley
Manager, Regional Technical Support

Andrew McFall
Senior Manager,
Receivables Management

Renee Moore
Treasurer

Teresa Williams
Senior Manager,
Managing Director's Office

Dolly Young
Legal Counsel

REGISTERED OFFICE
FirstCaribbean International
Financial Centre
2nd Floor, Shirley Street
Nassau, The Bahamas

Regional Audit Committee
David Williamson – Chairman
Richard Nesbitt
Sir Allan Fields
Paula Rajkumarsingh
Sir Fred Gollop
G. Diane Stewart
David Ritch
Christopher Bovell

Auditors
Ernst & Young

Legal Advisors
Harry B. Sands, Lobosky & Company
McKinney, Bancroft & Hughes

Registrar and Transfer Agents
CIBC Trust Company (Bahamas)
Limited

Our Communities

In 2009, the Bank continued its community partnerships and sponsorships. Very tangible and demonstrable commitment is made through our educational partnerships, our Adopt-a-Cause and Unsung Heroes programmes, our community commitments and a variety of projects and programmes that we support. Such arrangements help to cement our position as an organisation that's seriously committed to our corporate social responsibility.

EDUCATION PARTNERSHIPS

FirstCaribbean President's Scholars to Graduate

The Bank is proud that the first awardees of the College of The Bahamas' President's Scholars Programme (PSP) are set to graduate in 2010. FirstCaribbean is a major sponsor of the programme since 2006. The PSP awardees are granted full four-year scholarships, with stipends for books and funding for special activities, such as local and international leadership conferences and field trips abroad included in their programme of study. Through scholarships, mentoring and on-the-job training of awardees, the Bank facilitates the development of these future national leaders.

Through the Bahamas National Trust
Youth Learn About Environmental Stewardship

The Bank continues to support the work of The Bahamas National Trust (BNT) by its three-year commitment to the Discovery Club – a BNT after-school programme for young persons between the ages of 6 and 12 years.

In support of Earth Day, a FirstCaribbean five-member team joined Discovery Club members at the BNT, and together they planted about 800 mahogany trees. Several students eagerly got their hands dirtied as they planted the seeds in anticipation of watching them grow, as part of their Discovery Club experience.

FirstCaribbean Sponsored "Illusions" On Winners' Row

It's been one year since FirstCaribbean Bahamas rejoined Junior Achievement Bahamas and its sponsored company, Illusions, earned lots of accolades at the close of the JA year in 2009. llusions won fifth place in the Overall Company of the Year; Executive Advisor Omar Wilkinson placed third for Executive Advisor of the Year; the FirstCaribbean advisory team was nominated for Team of the Year; Vice President of Human Resources Elisha Nouguez won VP of HR for the year; Company President Nikita Williamson won a $4,000 scholarship to St. Leo's University and also won the Award of Excellence as Assistant VP of Special Projects for the Achievers Association; and Dorian Stubbs won the Centre Manager's Award.

In addition to sponsoring a JA company, the Bank also supports Junior Achievement Bahamas by providing an annual scholarship to a Distinguished Achiever.

ADOPT-A-CAUSE

FirstCaribbean TCI Adopts Children's Home

FirstCaribbean in the Turks & Caicos Islands provided financial support to the Provo Children's Home, a facility meant to provide a safe, secure, nurturing and loving home environment for children in need of care and protection. FirstCaribbean employees have also pledged to work closely with the home to assist the children in several areas, including reading with them and engaging in outdoor activities.

FirstCaribbean Palmdale Branch
Beautifies Palmdale Primary School

The Palmdale Branch team partnered with teachers of its adopted school – Palmdale Primary School – to beautify the school's campus. They gave the gardens a splash of colour, enhanced the environment and created an atmosphere that today makes students, teachers and visitors to the school proud. "The turnout of both FirstCaribbean and Palmdale Primary staff was a great indicator of the emphasis placed on the students' well-being," said Branch Manager Paul Bartlett. "The hard work and camaraderie was infectious, and the result was absolutely amazing, well worth the time and effort put into the project."

Palmdale branch adopted the school in 2005 and continues to make a difference. Notably, they read to students every Wednesday afternoon, an initiative done in conjunction with the Ministry of Education and the American Embassy.

Our Communities

UNSUNG HEROES

In 2009, we saw the largest number of nominations ever in the Bank's flagship Unsung Heroes Programme. In an historic move, Grand Bahama matriarchs and sisters Jenny Pinder and Isabella Newton were joint winners. Considered symbols of love and strength in their Mack Town and Pinder's Point communities, they've significantly contributed to the Bahamas Red Cross; cooks for homeless strangers; and are the chief cooks for over 100 children in the Lewis Yard School Feeding Programme, while continuing their outreach to the elderly, sick and shut-in.

Unsung Hero Mr. Carleton Williams has donated two homes to the Salvation Army and has provided scholarships to a number of Bahamians, including his nominator. The Royal Bahamas Police Force, the Anglican Church, the Crippled Children's Committee and Her Majesty's Prison Service are also beneficiaries of Mr. Williams' generosity. Mr. Williams has done so much for so many, and most are unaware that their lives changed because of his generosity because he preferred to remain anonymous.

An emotional Sheila Culmer has championed the cause of the disabled for over 40 years. During her tenure as a Principal of the Stapledon School, she advocated for free education for the students. Mrs. Culmer often feeds the elderly at her home and has held fundraisers to purchase wheelchairs, a bus with hydraulic lift, hearing aids and other items that have benefited the disabled.

In 2009, the Bank continued its community partnerships and sponsorships. Very tangible and demonstrable commitment is made through our educational partnerships, our Adopt-a-Cause and Unsung Heroes programmes, our community commitments and a variety of projects and programmes that we support.

COMMUNITY RELATIONS

FirstCaribbean International Bank recently donated $25,000 to the Downtown Nassau Revitalisation Project, a private/public sector partnership project that aims to rejuvenate and beautify the "City of Nassau." Managing Director Sharon Brown said, "FirstCaribbean is proud to be a part of this significant and historic activity which could potentially change the face of the City of Nassau as we know it today."

The Bank also contributed to The Bahamas Reef Environment Educational Foundation, an organisation that is committed to raising greater awareness of the issues facing The Bahamas' marine resources. BREEF continues to ensure that The Bahamas is on the cutting edge of practising sustainable fishery practices and implementing sound marine preservation policies.

Several Junkanoo Groups received funding that assisted their participation in the country's biggest annual cultural extravaganza, Junkanoo. The Royal Bahamas Police Force Dependents' Trust, several sporting organisations, including two junior baseball teams and the Carifta Swim Team; the Bahamas Primary Student of the Year Programme and the Bahamas Technical & Vocational Institute also benefited from the Bank's community commitment, as did a number of charitable organisations and activities.

Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS

B$(000)	2009	2008	2007	2006
Net Income	78,637	83,904	109,860	100,700
Earnings per share (cents)	65.4	69.8	91.4	83.8
Total assets	3,762,672	4,137,990	4,668,455	4,423,961
Total equity	707,181	645,812	643,332	596,738
Return on assets*	2.0%	1.9%	2.4%	2.6%
Return on tangible equity*	16.7%	18.2%	25.2%	26.0%
Ratio of operating expenses to revenues	42.2%	37.5%	31.8%	38.3%
Dividends per share (cents)	35	45	47	55
Dividend pay-out ratio	54%	64%	51%	66%
Dividend coverage ratio (times)	1.87	1.55	1.94	1.52

*Based on four quarters rolling averages

Overview

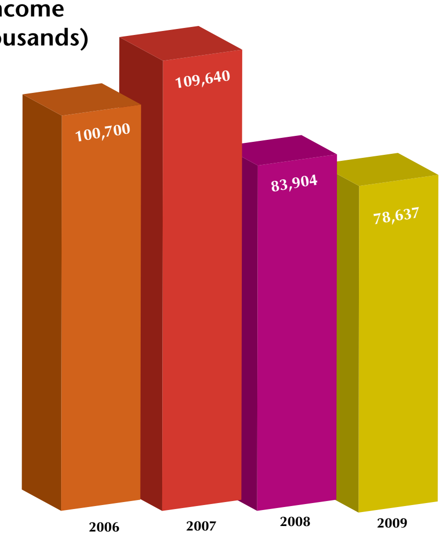
The Bank has delivered relatively strong results, with net income of $78.6 million compared to $83.9 million in 2008, a 6% decline. As in the previous year, falling international interest rates had a dampening impact on net interest income, as well as lower volumes. Operating income exceeded the prior year by $9.3 million or 58% primarily due to gains on the sale of investment securities and a decline in mark-to-market losses. The increase in operating expenses was primarily due to employee-related costs and other general expenses. The Bank, however, benefited from a $4.8 million improvement in loan loss expense year over year.

REVIEW OF CONSOLIDATED STATEMENT OF INCOME

Net interest income and margin

Net interest income (NII) represents interest earned on loans, securities and deposits with other banks, less interest paid on deposits from customers, banks and other borrowings.

Net Income
($ thousands)

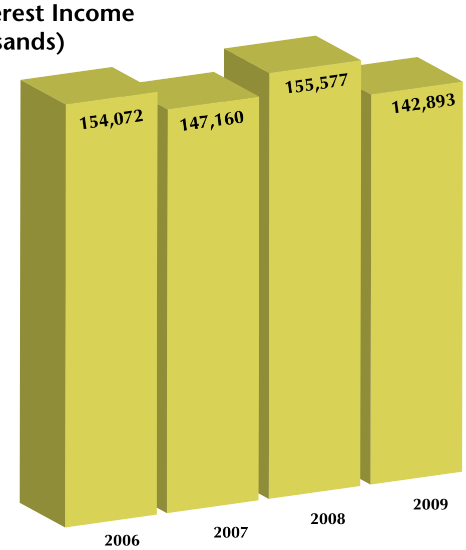


NII for the year decreased by $12.7 million or 8%, from $155.6 million last year to $142.9 million in 2009. Interest income declined by $46.6 million or 18%; partially offset by the decline in interest expenses of $33.9 million or 31%. The decline in interest income was driven primarily by loan interest due to lower productive loan volumes and yields; trading securities interest due to the full disposition of the portfolio during the year; and cash placements interest due to lower average volumes and yields. The decline in interest expenses was driven primarily by deposit interest expense due to lower fixed deposit volumes and rates; partially offset by increases in other borrowed funds due to higher interest expenses on derivatives.

Other operating income

Other operating income increased by $9.3 million or 58%, from the previous year. There were gains from investment securities in the current year versus losses in the prior year resulting in an increase in operating income of $9.0 million.

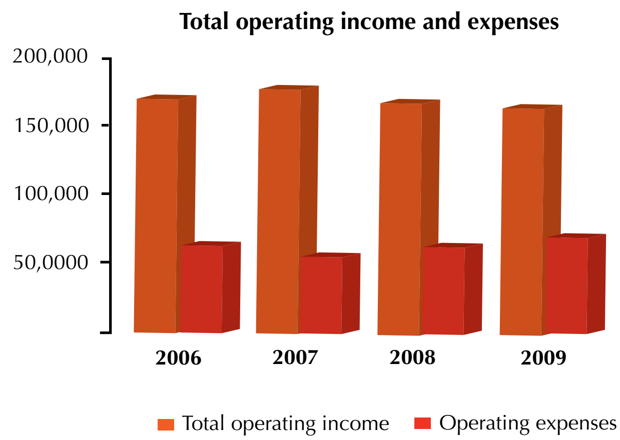
Net Interest Income
($ thousands)



Foreign exchange earnings fell by $3.5 million or 26% year over year primarily as a result of a decline in transaction volumes; partially offset by lower translation losses. Fee and commission income remained flat year over year.

Operating expenses

Operating expenses increased by $6.7 million, or 10% over the previous year, primarily due to higher staff costs and other operating expenses. The increases in staff costs were driven mainly by rising pension and health costs, while the increase in other operating expenses was primarily due to an increase in bank licensing fees and management fees paid to the parent company.



Loan loss expenses were down $4.8 million or 21%, year over year. In Fiscal 2008, provisions were increased to reflect the impact of the economic downturn and the heightened level of uncertainty about the economic outlook.

REVIEW OF CONSOLIDATED BALANCE SHEET

Total assets were $3.763 billion, a decrease of $375 million or 9% from last year. The net reduction is reflected primarily in securities, partially offset by an increase in cash resources. Deposits and othr liabilities decreased by $437 million or 13%, from prior year primarily due to a reduction in customer deposits.

Summary Balance Sheet

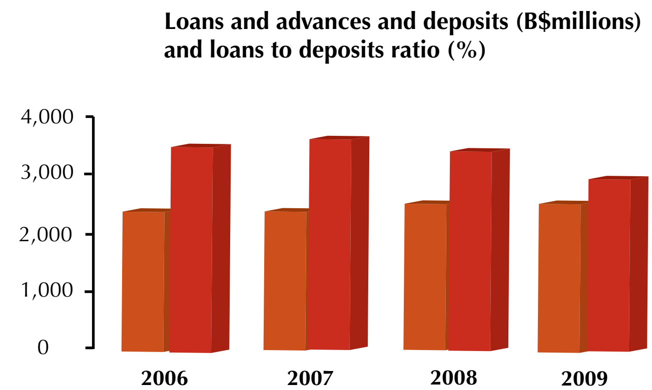
B$(000)	2009	2008
Assets		
Cash and due from baks	411,371	259,951
Securities	580,259	1,081,872
Loans	2,541,756	2,539,072
Other assets	229,286	257,095
	3,762,672	4,137,990
Liabilities and equity		
Deposits	2,985,964	3,445,010
Other liabilities	69,527	47,168
Equity	707,181	645,812
	3,762,672	4,137,990

Cash and due from banks

Cash and due from banks increased $151.4 million, primarily due to sale of securities and offset by payment of deposits.

Securities

As of October 31, 2009, the securities portfolio was comprised solely of available-for-sale investments. Total securities decreased by $501.6 million or 46%, from the previous year due mainly to a $304.9 million decrease in the trading portfolio – formally described as financial assets at fair value through profit or loss. The year over year $192 million decrease in the non-trading investment portfolio reflects disposals of $390 million for gains of $4.5 million , net of gains from changes in fair values totaling $34.1 million, compared to $34.1 million in losses in the prior year, and new purchases.



	2006	2007	2008	2009
Loans to deposits	69%	66%	74%	85%

Loans Deposits

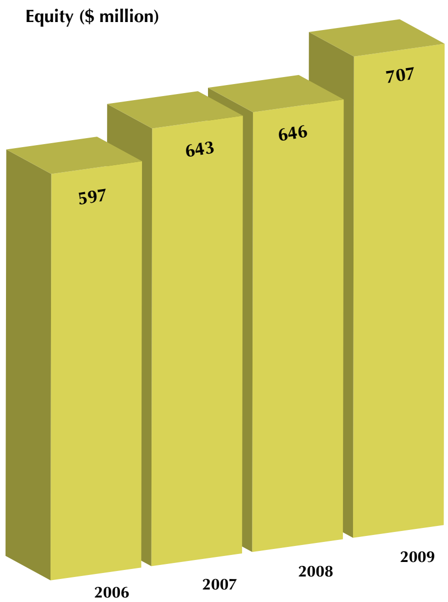
Loans and Advances

Net loans and advances to customers were $2.542 billion compared to $2.539 billion in the prior year. Mortgages, which account for 46% of the portfolio, increased 1.5% year over year. Business and government and personal loans, which account for 43% and 11%, respectively, were also flat to the prior year.

Productive loans were $2.301 billion, down $109 million or 5%, from the prior year. This decrease primarily reflects the shift of loans from productive to non-productive (impaired) classifications, which increased by $124 million or 62%.

Customer deposits

Customer deposits decreased by $459 million or 13%, from the previous year, primarily driven by international deposit movements. Bank deposits decreased by $275 million, or 35% primarily due to related party balances. Individual and business and government deposits decreased 5% and 8%, respectively.



> A robust risk and control governance structure is embedded within each strategic business unit. Representatives from the risk teams interact with the senior leadership of each business unit in order to identify and manage risks in the respective businesses.

Equity

The Bank continues to maintain a strong capital base and capital ratios well above the regulatory requirements. At October 31, 2009, the Tier I capital ratio and the Total capital ratio of the Bank were 18.85% (2008 – 16.71%) and 19.46% (2008 – 16.31%), respectively, both exhibiting improvements over the previous year-end positions.

Total reserves decreased by $28.2 million, or 45%, primarily due to the turnaround in the revaluation reserve for available for sale securities. As discussed in Notes 8 and 16 to the financial statements, the cumulative amount recognised in reserves reflects the net loss on available for sale (AFS) securities due to changes in fair values. Gains incurred for the current year were $24.8 million, compared to losses of $27.3 million in the previous year.

Risk Management Approach

FirstCaribbean assumes a variety of risks in its ordinary business activities. Risk is defined as any event that could: damage the core earnings capacity of the Bank; increase earnings or cash flow volatility; reduce capital; threaten business reputation or viability; and/or breach regulatory or legal obligations.

The Bank's approach to risk management is based on sound banking principles and a robust governance structure. Risk is managed within tolerance levels established by our management committees and approved by the Board of Directors and its committees (the Board). This is achieved through a comprehensive framework of measurement, monitoring and control policies, procedures and processes. Further information on credit, market and liquidity risks within the Bank can be found in note 26 of the consolidated financial statements.

Primary responsibility for the management of risk lies with line management in our various individual businesses. The risk management department, which reports to the Chief Risk Officer, develops risk policies and procedures and provides independent oversight and analysis through its five centrally based teams – credit risk, market risk, receivables management, compliance and operational risk management and controls.

The Bank's risk management policies and procedures are designed to identify and analyse these risks, to set appropriate risk limits, and to monitor and enhance risk management practices to reflect changes in markets, products and evolving best practice.

A robust risk and control governance structure is embedded within each strategic business unit. Representatives from the risk teams interact with the senior leadership of each business unit in order to identify and manage risks in the respective businesses. This approach is supported by comprehensive enterprise reporting.

Credit Risk

Credit risk is the risk that a customer or counterparty will be unable or unwilling to meet a commitment that it has entered into and that any security pledged in support of the credit does not cover the customer's liabilities to the Bank in the event of a repayment default. The credit risks in FirstCaribbean arise primarily from lending activities to customers but also occur with bonds, guarantees and securities.

Credit risk is managed and controlled on the basis of established credit processes and policies operating within a framework of delegated authorities. In addition to approving the Bank's key credit policies and setting credit risk appetites and tolerances, the Risk and Conduct Review Committee of the Board also delegates credit approval limits to the Credit Committee of the Bank. The Chief Risk Officer, who also delegates lending authority to individual members of the Credit Risk Management Department, and also to frontline lenders, chairs the credit committee. There is appropriate segregation of duties between customer facing functions responsible for originating and managing exposures, the Credit Risk Management function responsible for credit adjudication and oversight and the operations function responsible for disbursing loans and safekeeping security.

Credit grading, scoring and monitoring systems facilitate the early identification and management of deterioration in loan quality. The credit management process is underpinned by an independent system of credit review by credit conformance teams. Delinquent facilities are subject to separate and additional oversight by the receivables management team. Classification is automated and operates strictly in line with regulatory and accounting standards. Credit provisions are independently calculated in accordance with Central Bank guidelines.

Market Risk

Market risk is the measurement of potential loss arising from adverse movements in interest rates, foreign exchange rates, equity and commodity prices, and credit spread risk in the Bank's investment portfolios. It arises in trading activities, as well as in the natural course of wholesale and retail business. The principal aim of FirstCaribbean's market risk management activities is to limit the adverse impact of interest rate and exchange rate movements on profitability and shareholder value and to enhance earnings within defined limits.

The Risk and Conduct Review Committee of the Board reviews market risk strategy and overall limits. It approves key policies and oversees the measurement, monitoring and control regime.

There is no single risk measure that captures all aspects of market risk. FirstCaribbean uses several risk measures including Value at Risk ('VaR'), sensitivity measures and stress testing. Market risks are managed by setting limits based upon the specific markets and products where FirstCaribbean is involved, as well as the amount of the Bank's capital at risk. These measurement methodologies utilise international best practice. There is a centralised, dedicated risk management team charged with the responsibility to ensure that the risk measurement methodologies used are appropriate for the risks being taken and that appropriate measurement, monitoring and control procedures are in place.

Compliance Risk

Compliance risks are associated with failures to comply with laws, regulations, rules, and the codes of ethics and conduct applicable to our business activities. Such failures can give rise to legal or regulatory sanctions, material financial loss, or a loss of reputation to the Bank.

“

The Risk and Conduct Review Committee of the Board reviews market risk strategy and overall limits. It approves key policies and oversees the measurement, monitoring and control regime.

Primary responsibility for compliance lies with line management. The compliance team within the risk management department is tasked with identifying the compliance obligations in each segment. It also provides advice and guidance to the business lines on compliance risks and the development of appropriate policies and procedures to ensure compliance with all legislation and internal code of conduct and ethics policies. It independently assesses and monitors compliance and reports to the Audit & Governance Committee of the Board.

Operational Risk

FirstCaribbean defines operational risk as the exposure to loss from failed or inadequate internal processes, people and systems or from external events. It is the risk of direct or indirect loss, or damaged reputation, due to deficiencies or errors in the Bank's internal operations which may be attributable to fraud, human error, processes or technology failure, or due to external events. Operational risks are inherent in all activities within the Bank, including its outsourced activities and in all interactions with external parties.

Strong internal control and quality management, consisting of a fraud framework, leadership and trained staff, is the key to successful operational risk management. Each strategic business unit is primarily responsible for managing its own operational risks. Risk management develops and maintains the framework for identifying, monitoring and controlling operational risks and supports the business in implementing the framework and raising awareness of operational risks. The team sets policy and monitors compliance. Operational risk management activities across the Bank are reported regularly to the Audit & Governance Committee and Risk and Conduct review Committee.

FirstCaribbean's operational risk management framework includes ongoing monitoring through self-assessment of control deficiencies and weaknesses, and the tracking of incidents and loss events to ensure that, once identified, control deficiencies are communicated and remedied in a timely fashion across the Bank.

Liquidity Risk

Liquidity risk is defined as the risk that the Bank will experience difficulty in financing its assets and meeting its contractual payment obligations, or will only be able to do so at an unacceptably high cost. FirstCaribbean is exposed to liquidity risk through our general funding activities and in the management of our assets and liabilities.

FirstCaribbean's exposure to liquidity risk is governed by a policy approved by the Board. The operation of the policy is delegated to management in the form of the Asset and Liabilities Committee (ALCO). The Bank's ALCO is responsible for monitoring liquidity risk. Day-to-day management of liquidity is handled by the Treasury team.

The Bank performs stress tests and scenario analyses to evaluate the impact of stresses on its liquidity position. These tests are at both a Bank-specific and systemic risk level. The results are reported to the Board quarterly, and independently reviewed by the market risk function.

Consolidated Financial Statements 2009

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Independent Auditors' Report to the Shareholders of FirstCaribbean International Bank (Bahamas) Limited

We have audited the accompanying financial statements of FirstCaribbean International Bank (Bahamas) Limited ("the Bank") which comprise the consolidated balance sheet as of October 31, 2009 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of October 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

December 15, 2009

Consolidated Balance Sheet

As of Ocotber 31, 2009
(Expressed in thousands of Bahamian dollars)

	Notes	2009	2008
Assets			
Cash and balances with central bank	3	$ 102,273	$ 96,257
Due from banks	4	309,098	163,694
Derivative financial instruments	5	–	725
Financial assets at fair value through profit or loss	6	–	304,936
Other assets	7	2,499	30,172
Investment securities	8	580,259	776,936
Loans and advances to customers	9	2,541,756	2,539,072
Property and equipment	10	26,009	25,913
Retirement benefit assets	11	13,031	12,538
Goodwill	12	187,747	187,747
Total assets		3,762,672	4,137,990
Liabilities			
Customer deposits	13	2,985,964	3,445,010
Derivative financial instruments	5	54,160	33,057
Other liabilities	14	11,175	10,104
Retirement benefit obligations	11	4,192	4,007
Total liabilities		3,055,491	3,492,178
Equity			
Share capital and reserves	16	442,059	413,847
Retained earnings		265,122	231,965
Total equity		707,181	645,812
Total liabilities and equity		$3,762,672	$ 4,137,990

Approved by the Board of Directors on December 15, 2009 and signed on its behalf by:

Michael Mansoor
Chairman

Sharon Brown
Managing Director

See accompanying notes.

Consolidated Statement of Income

For the year ended October 31, 2009
(Expressed in thousands of Bahamian dollars)

	Notes	2009	2008
Interest and similar income		$ 217,018	$ 263,605
Interest and similar expense		74,125	108,028
Net interest income	17	142,893	155,577
Other operating income	18	25,342	16,017
Total operating income		168,235	171,594
Operating expenses	19	71,079	64,340
Loan loss impairment	9	18,519	23,350
Total operating expenses		89,598	87,690
Net income for the year		$ 78,637	$ 83,904
Earnings per share			
(expressed in cents per share) - basic	20	65.4	69.8

See accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended October 31, 2009
(Expressed in thousands of Bahamian dollars)

	Notes	Share capital	Reserves	Retained earnings	Total equity
Balance at October 31, 2007		$477,230	$ (40,933)	$ 207,035	$ 643,332
Net income for the year		–	–	83,904	83,904
Dividends	21	–	–	(54,097)	(54,097)
Transfer to statutory reserve fund – Turks & Caicos Islands	16	–	6,085	(6,085)	–
Transfer to statutory loan loss reserve – Bahamas	16	–	(1,208)	1,208	–
Revaluation reserve - available-for-sale securities	16	–	(27,327)	–	(27,327)
Balance at October 31, 2008		477,230	(63,383)	231,965	645,812
Net income for the year		–	–	78,637	78,637
Dividends	21	–	–	(42,076)	(42,076)
Transfer to statutory reserve fund – Turks & Caicos Islands	16	–	5,028	(5,028)	–
Transfer to statutory loan loss reserve – Bahamas	16	–	(1,624)	1,624	–
Revaluation reserve - available-for-sale securities	16	–	24,808	–	24,808
Balance at October 31, 2009		$477,230	$ (35,171)	$ 265,122	$ 707,181

See accompanying notes.

Consolidated Statement of Cash Flows

For the year ended October 31, 2009
(Expressed in thousands of Bahamian dollars)

	Notes	2009	2008
Cash flows from operating activities			
Net income		$ 78,637	$ 83,904
Adjustments to reconcile net income to net cash provided by operating activities:			
Loan loss impairment	9	18,519	23,350
Depreciation of property and equipment	10	3,470	3,584
Loss (gain) on disposal/write-off of property and equipment	19	116	(236)
Net gains on sale and redemption of investment securities	18	(4,493)	(2,109)
Interest income on investment securities	17	(40,502)	(42,410)
Interest expense on other borrowed funds	17	8,361	3,582
(Gain) loss from change in fair value and unamortized premium	8	(10,065)	6,363
Cash flows from net income before changes in operating assets and liabilities		54,043	76,028
Changes in operating assets and liabilities:			
-net increase in due from banks – greater than 90 days		(37,451)	(99,514)
-net decrease in mandatory reserves with The Central Bank		2,694	1,610
-net decrease in financial assets at fair value through profit or loss		304,936	487,371
-net increase in loans and advances to customers		(21,203)	(146,442)
-net decrease in other assets		27,905	8,883
-net decrease in customer deposits		(459,046)	(216,396)
-net increase (decrease) in other liabilities		22,359	(17,758)
Net cash (used in) provided by operating activities		(105,763)	93,782
Cash flows from investing activities			
Purchases of property and equipment	10	(3,754)	(3,120)
Proceeds from sale of property, plant and equipment	10	72	813
Purchases of investment securities	8	(162,629)	(349,016)
Interest paid on other borrowed funds	17	(8,361)	(8,829)
Interest income received on investment securities	8,17	45,079	39,414
Proceeds from sale and redemption of investment securities	8	394,095	436,656
Net cash provided by investing activities		264,502	115,918
Cash flows from financing activities			
Settlement of other borrowed funds		–	(273,544)
Settlement of debt securities		–	(20,000)
Dividends paid	21	(42,076)	(54,097)
Net cash used in financing activities		(42,076)	(347,641)
Net (decrease) increase in cash and cash equivalents		116,663	(137,941)
Cash and cash equivalents, beginning of year	3	98,763	236,704
Cash and cash equivalents, end of year (note 3)		$ 215,426	$ 98,763

See accompanying notes.

1. General Information

FirstCaribbean International Bank (Bahamas) Limited (the "Bank") was formerly named CIBC Bahamas Limited ("CIBC Bahamas") and was controlled by Canadian Imperial Bank of Commerce (CIBC), a company incorporated in Canada. The Bank changed its name to FirstCaribbean International Bank (Bahamas) Limited on October 11, 2002, following the combination of the retail, corporate and offshore banking operations of Barclays Bank PLC in The Bahamas and the Turks & Caicos Islands ("Barclays Bahamas") and CIBC Bahamas.

The Bank is a subsidiary of FirstCaribbean International Bank Limited, formerly CIBC West Indies Holdings Limited (the "Parent" or "FCIB"), a company incorporated in Barbados, which owns 95.2% of the Bank. The Parent and its subsidiaries (collectively, the "Parent Group") is owned by CIBC. From October 11, 2002, the major shareholders of FirstCaribbean International Bank (Bahamas) Limited were jointly CIBC and Barclays Bank PLC, ("Barclays"), a company incorporated in England. On December 22, 2006, CIBC acquired Barclays's interest in the Parent and now owns 91.4% of the shares of FirstCaribbean International Bank Limited.

The registered office of the Bank is located at the FirstCaribbean Financial Centre, 2nd Floor, Shirley Street, Nassau, Bahamas.

2. Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale securities, derivative financial instruments and financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated financial statements are presented in Bahamian dollars, and all values are rounded to the nearest thousand, except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of consolidation

Subsidiary undertakings, which are those companies in which the Bank directly or indirectly has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated. The principal subsidiary undertakings are disclosed in Note 29. Subsidiaries are consolidated from the date on which the effective control is transferred to the Bank. They are de-consolidated from the date that control ceases.

All inter-company transactions, balances and unrealized surpluses and deficits on transactions and balances have been eliminated. Where necessary, the accounting policies used by subsidiaries have been changed to ensure consistency with the policies adopted by the Bank. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Bank's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income.

2. Accounting Policies (Continued)

2.2 Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain significant estimates and judgments that affect amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimates of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the model.

Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Bank makes judgments as to whether there is any objective evidence indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Retirement benefit obligations

Accounting for some retirement benefit obligations requires the use of actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods. These actuarial assumptions are based on management's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits and comprise both demographic and financial assumptions. Variations in the financial assumptions can cause material adjustments in the next financial year if it is determined that the actual experience differed from the estimate.

2. Accounting Policies (Continued)

2.3 Adoption of new accounting policies

The accounting policies adopted are consistent with those used in the previous financial year except as follows:

The Bank has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Bank.

IFRIC 13 Customer Loyalty Programmes

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. The Bank takes part in VISA supplied credit card loyalty programmes. Under these programmes, the Bank reimburses VISA for the cost of points redeemed. The fair values of the points earned by the customer are recognised by the Bank as revenue when it fulfils its obligation in respect of the awards.

As the existing accounting treatment adopted by the Bank for customer loyalty programmes is consistent with IFRIC 13, the adoption of this interpretation has had no significant impact on the current or comparative results of the Bank.

IFRIC 14 IAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 addresses the interaction between minimum funding requirements and the limit placed by paragraph 58 of IAS 19 on the measurement of the defined benefit asset or liability. This interpretation has had no significant impact on the current or comparative results of the Bank.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. This interpretation has had no significant impact on the current or comparative results of the Bank.

2.4 Summary of Significant Accounting Policies

(1) Segment reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. Segments with a majority of revenue earned from external customers, and whose revenue, results or assets are 10% or more of all the segments are reported separately.

(2) Foreign currency translation

The consolidated financial statements are presented in Bahamian dollars, which is the Bank's functional and presentational currency.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at rates prevailing at the date of the consolidated financial statements and non-monetary assets and liabilities are translated at historic rates. Revenue and expenses denominated in foreign currencies are translated into the Bank's functional currency using prevailing average monthly exchange rates. Realized and unrealized gains and losses on foreign currency positions are reported in income of the current year. Translation differences on non-monetary items, such as equities classified as available-for-sale securities, are included in the available-for-sale reserve in equity.

2. Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (continued)

(3) Financial instruments

Initial recognition and subsequent measurement
Date of recognition
Purchase or sale of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the marketplace are recognized on the settlement date, i.e. the date that an asset is delivered to or by the Bank. Derivatives are recognized on a settlement date basis.

Initial recognition of financial instruments
The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental cost of acquisition or issue.

The Bank classifies its financial assets into the following categories:
(i) Financial assets at fair value through profit or loss
(ii) Loans and advances to customers
(iii) Held-to-maturity investments
(iv) Available-for-sale securities

(i) Financial assets or financial liabilities designated at fair value through profit or loss
Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance revaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded. This category comprises financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in income. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in other operating income when the right to the payment has been established.

Included in this classification are loans and advances to customers that are economically hedged by credit derivatives that do not qualify for hedge accounting as well as structured notes that are managed on a fair value basis.

Financial assets or financial liabilities held for trading
These assets are recorded in the consolidated balance sheet at fair value. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges.

Derivatives recorded at fair value through profit or loss
Derivatives include interest rate swaps and futures, credit default swaps, cross currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives held for trading are included in 'net trading income' (see Note 18).

2. Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (continued)

(3) Financial instruments (continued)

Derivatives recorded at fair value through profit or loss (continued)
Derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognized in the consolidated statement of income.

(ii) Loans and advances to customers
Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'financial assets held for trading, designated as 'financial investment available-for-sale, or 'financial assets designated at fair value through profit or loss'. After initial measurement, loans and advances are measured at amortized cost using the effective interest method, less allowance for impairment.

(iii) Held-to-maturity investments
Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate yield method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'Interest and similar income' in the consolidated statement of income. The losses arising from impairment of such investments are recognized in the consolidated statement of income.

(iv) Available-for-sale securities
are those which are designated as such or do not qualify to be classified as designated as fair value through profit or loss, held-to-maturity or loans and advances. They include equity instruments, investments in mutual funds and money market and other debt instruments. After initial measurement, available-for-sale securities are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity in the 'available-for-sale reserve'. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income in 'Other operating income' or 'Other operating expenses'. Where the Bank holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned on available-for-sale securities is recognized in the consolidated statement of income as 'Net interest income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of income.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Unquoted equity instruments for which fair values cannot be measured reliably are recognized at cost less impairment. Dividend income is recognized when the right to receive payment is established.

2. Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (continued)

(4) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Bank has transferred its rights to receive cash flows from the asset or has
- assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; and
- Either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its right to receive cash flows from an asset or has entered into a pass-trough arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to pay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

(5) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the consolidated balance sheet. The corresponding cash received, including accrued interest, is recognized on the consolidated balance sheet as a 'Cash collateral on securities lent and repurchase agreements', reflecting its economic substance as a loan to the Bank and are reflected in other borrowed funds. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate yield method. Where the transferee has the right to sell or pledge the asset, the asset is recorded on the consolidated balance sheet as 'Financial assets held for trading pledged as collateral'.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized on the consolidated balance sheet. The corresponding cash paid, including accrued interest, is recognized on the consolidated balance sheet as a 'Cash collateral on securities borrowed and reverse repurchase agreements' and are reflected in loans and advances to customers (see Note 9). The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement using the effective interest rate yield method.

2. Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (continued)

(6) Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

i) significant financial difficulty of the issuer or obligor;
ii) a breach of contract, such as a default or delinquency in interest or principal payments;
iii) the Bank granting to a borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
v) the disappearance of an active market for that financial asset because of financial difficulties; or
vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of borrowers in the group; or - national or local economic conditions that correlate with default on the assets in the group.

If there is objective evidence that an impairment loss on loans and advances to customers or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the carrying amount and the recoverable amount, being the estimated present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the current effective interest rate.

When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the provision for impairment losses. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for loan loss impairment in the consolidated statement of income.

In circumstances where central bank guidelines and regulatory rules require provisions in excess of those calculated under IFRS, the difference is accounted for as an appropriation of retained earnings and is included in a non-distributable general banking reserve.

(7) Impairment of non-financial assets

The Bank assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

For assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Impairment losses relating to Goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

2. Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (continued)

(8) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(9) Derivative financial instruments and hedge accounting

The Bank makes use of derivative instruments to manage exposure to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. In order to manage particular risks, the Bank applies hedge accounting for transactions that meet the specified criteria.

The Bank's criteria for a derivative instrument to be accounted for as a hedge include:

i) At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship;

ii) Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Bank assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of income. The hedge is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and;

iii) The hedge is highly effective on an ongoing basis.

Derivatives are initially recognized in the consolidated balance sheet at their fair value based on settlement date. Fair values are obtained from discounted cash flow models, using quoted market interest rates. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as either: (1) hedges of the fair value of recognized assets or liabilities (fair value hedge); or (2) hedges of highly probable cash flows attributable to a recognized asset or liability (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

(1) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, are recorded in the consolidated statement of income in 'Net trading income', along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated.

For hedged items recorded at amortized cost, using the effective interest rate yield method, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the consolidated statement of income.

2. Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (continued)

(9) Derivative financial instruments and hedge accounting (continued)

(2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity in the revaluation reserve - cash flow hedges. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of income in 'Net trading income' (Note 18).

When the hedged cash flow affects the consolidated statement of income, the gain or loss on the hedging instrument is 'recycled' in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the hedged forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of income in 'Net trading income' (Note 18).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of income.

(10) Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Interest and similar income and expense

Interest income and expense are recognized in the consolidated statement of income for all interest bearing instruments on an accrual basis, using the effective interest yield method based on the actual purchase price or estimated recoverable amount. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

(ii) Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Commission and fees arising from origination, negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognized ratably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

2. Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (continued)

(11) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition and is reported in the consolidated balance sheet as an intangible asset. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to lowest levels for which there are separately identifiable cash flows (cash-generating units) for the purpose of impairment testing. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(12) Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is computed using the straight-line method at rates considered adequate to write-off the cost of depreciable assets, less salvage, over their useful lives.

The annual rates used are:

- Buildings	2½%
- Leasehold improvements	10% or shorter life of the lease
- Equipment, furniture and vehicles	20 – 50%

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's recoverable amount is the higher of the asset's fair value less costs to sell and the value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognized in 'other operating income' or 'other operating expenses' within the consolidated statement of income.

(13) Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term and included in 'other operating expenses.'

(14) Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is more than likely that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2. Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (continued)

(15) Retirement benefit obligations

i) Pension obligations

The Bank operates a pension plan, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and the Bank, taking account of the recommendations of independent qualified actuaries. The plan has defined benefit sections and a defined contribution section.

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The asset/liability recognized in the consolidated balance sheet in respect of defined benefit sections of the plan is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for unrecognized actuarial gains/losses and past service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related liability. The pension plan is a final salary plan and the charge for such pension plan, representing the net periodic pension cost less employee contributions is included in staff costs.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected average service lives of the related employees. Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortized on a straight-line basis over the vesting period.

For the defined contribution section of the plan, the Bank makes contributions to a private trustee-administered fund. Once the contributions have been paid, the Bank has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The Bank's contributions in respect of the defined contribution section of the plan are charged to the consolidated statement of income in the year to which they relate.

(ii) Other post retirement obligations

The Bank provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected average service lives of the related employees. These obligations are valued periodically by independent qualified actuaries.

2. Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (continued)

(16) Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost, and any difference between net proceeds and the redemption value is recognized in the consolidated statement of income over the period of the borrowings, using the effective interest yield method.

(17) Share capital and dividends

(i) Share issue costs

Shares issued for cash are accounted for at the issue price less any transaction costs associated with the issue. Shares issued as consideration for the purchase of assets, or a business, are recorded at the market price on the date of the issue.

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are declared. Accordingly, dividends in respect of the current year's net income that are declared after the balance sheet date are not reflected in the consolidated financial statements.

(18) Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

(19) Fiduciary activities

The Bank commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Bank.

(20) Income taxes

The Bank is not subject to income taxes in The Bahamas and the Turks and Caicos Islands.

2.5 Future changes in accounting policies

New standards, interpretations and amendments to published standards relevant to the Bank that are not yet effective

Certain new standards, and amendments to existing standards have been published that are mandatory for the Bank's accounting periods beginning on or after November 1, 2009 and later periods, but which the Bank has not early adopted, as follows:

- IAS 1 (Revised), Presentation of Financial Statements (effective from annual periods beginning on or after January 1, 2009) will require the disclosure of all non-owner changes in equity either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income), will require additional disclosures about an entity's capital and will change the titles of financial statements.

- IAS 23 (Revised), Borrowing Costs (effective from annual periods beginning on or after January 1, 2009) will remove the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity will therefore now be required to capitalise borrowing costs as part of the cost of such assets. The capitalisation of borrowing costs relating to assets measured at fair value is not however required by IAS 23. The transitional provisions of the standard require prospective application from the effective date. This is not applicable to the Bank.

- IAS 27 (Revised), Consolidated and Separate Financial Statements (effective from annual periods beginning on or after July 1, 2009) has resulted from amendments to IFRS 3 and changes the accounting for acquisitions and disposals that do not result in a change of control and the attribution of profit or loss to non-controlling interest. Additional amendments have been made relating to the cost of a subsidiary in the separate financial statements of a parent on first-time adoption of IFRSs, which are not applicable to the Bank.

- IAS 28 (Revised), Investment in Associates (effective from annual periods beginning on or after July 1, 2009) has resulted from amendments to IFRS 3 but is not applicable to the Bank.

2. Accounting Policies (Continued)

2.5 Future changes in accounting policies (continued)

New standards, interpretations and amendments to published standards relevant to the Bank that is not yet effective (continued)

- IAS 31 (Revised), Interests in Joint Ventures (effective from annual periods beginning on or after July 1, 2009) has resulted from amendments to IFRS 3 but is not applicable to the Bank.
- IAS 32 (Revised), Financial Instruments Presentation (effective from annual periods beginning on or after January 1, 2009) will require amendments regarding puttable instruments and obligations arising on liquidation which are not applicable to the Bank.
- IAS 39 (Revised), Financial Instruments: Recognition and Measurement (effective from annual periods beginning on or after July 1, 2009) was amended with respect to hedging portions of risk, and clarifies the principles associated with designating a portion of cash flows or fair values of a financial instrument as a hedged item.
- IFRS 2 (Revised), Share-based Payment (effective from annual periods beginning on or after January 1, 2009) requires amendments relating to vesting conditions and cancellations, and clarifies that vesting conditions are service conditions and performance conditions only, while other features of a share-based payment are not vesting conditions.
- IFRS 3 (Revised), Business Combinations (effective from annual periods beginning on or after July 1, 2009) has made a comprehensive revision on applying the acquisition method.
- IFRS 7 Amendments, Improving Disclosures about Financial Instruments, issued in February 2009 (effective for annual periods beginning on or after 1 January 2009) clarifies and enhance disclosures about fair value measurements and the liquidity risk of financial instruments.
- IFRS 8, Operating Segments (effective from annual periods beginning on or after January 1, 2009) will replace IAS 14 Segments Reporting and increases the level of disclosure required, as well as, replace the requirement to determine primary (business) and secondary (geographical) reporting segments for the Bank and extends the scope to include entities that meet certain requirements.

- IFRIC 9 and IAS 39 Amendments, Embedded Derivatives, issued in February 2009, (effective for annual periods ending on or after 30 June 2009) clarifies that on reclassification of a financial asset out of the 'at fair value through profit or loss' category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. This is not applicable to the Bank.
- IFRIC 17 Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after July 1, 2009) provides guidance on how to account for such transactions. It also provides for when to recognise a liability, how to measure it and the associated assets, when to derecognise the asset and liability, and the consequences of doing so. This is not applicable to the Bank.
- IFRIC 18 Transfers of Assets from Customers (effective for annual periods beginning on or after July 1, 2009) provides guidance on when and how an entity should recognise items of property, plant and equipment received from their customers. This is not applicable to the Bank.

Additionally, in May 2008, the International Accounting Standards Board issued "Improvements to IFRSs", as part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after January 1, 2009. The following table shows the IFRSs and topics addressed by these amendments. Management has decided not to early adopt the amendments and does not expect their application to have a significant effect.

(Expressed in thousands of Bahamian dollars)

2. Accounting Policies (Continued)

2.5 Future changes in accounting policies (continued)
New standards, interpretations and amendments to published standards relevant to the Bank that are not yet effective (continued)

Standard	Subject of the Amendment
Part I	**Amendments that result in accounting changes for presentation, recognition and measurement purposes**
IFRS 5	Plan to sell the controlling interest in a subsidiary
IAS 1	Current/non-current classification of derivatives
IAS 16	Recoverable amounts
IAS 19	Curtailments and negative past-service costs. Plan administration costs. Replacement of term "fall due". Guidance on contingent liabilities.
IAS 20	Government loans with a below market interest rate.
IAS 23	Components of borrowing costs.
IAS 27	Measurement of subsidiary held for sale in separate financial statements.
IAS 28	Required disclosures when investments in associates are accounted for at fair value through profit or loss.
IAS 29	Description of measurement basis in financial statements.
IAS 31	Required disclosures when investments in jointly controlled entities are accounted for at fair value through profit or loss.
IAS 36	Disclosure of estimates used to determine recoverable amounts.
IAS 38	Advertising and promotional activities. Unit of production method of amortisation.
IAS 39	Reclassification of derivatives into or out of the classification at fair value through profit or loss. Designating and documenting hedges at segment level. Applicable effective interest rate on cessation of fair value hedge accounting.
IAS 40	Property under construction or development for future use as investment property.
IAS 41	Discount rate for fair value calculations.
Part II	**Amendments that are terminology or editorial changes only**
IFRS 7	Presentation of finance costs.
IAS 8	Status of implementation guidance.
IAS 10	Dividends declared after the end of the reporting period.
IAS 18	Costs of originating a loan.
IAS 20	Consistency of terminology with other IFRSs.
IAS 29	Consistency of terminology with other IFRSs.
IAS 34	Earnings per share disclosures in interim financial statements.
IAS 40	Consistency of terminology with IAS 8. Investment property held under lease.
IAS 41	Examples of agricultural produce and products. Point-of-sale costs.

In April 2009, the International Accounting Standards Board issued "Improvements to IFRSs", as part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after July 1, 2009 and January 1, 2010. The following table shows the IFRSs and topics addressed by these amendments. Management has decided not to early adopt the amendments and does not expect their application to have a significant effect.

2. Accounting Policies (Continued)

2.5 Future changes in accounting policies (continued)

Standard	Subject of the Amendment
Part I	Amendments that result in accounting changes for presentation, recognition and measurement purposes
IFRS 2	Scope of IFRS 2 and IFRS 3 Revised.
IFRS 5	Disclosures of non-current classified as held-for-sale and discontinued operations
IAS 8	Disclosure of information about segment assets.
IAS 1	Current/non-current classification of convertible instruments
IAS 7	Classification of expenditures on unrecognised assets.
IAS 17	Classification of leases of land and buildings.
IAS 18	Determining whether an entity is acting as a principal or as an agent.
IAS 36	Unit of accounting for goodwill impairment test.
IAS 38	Additional consequential amendments arising from IFRS 3 Revised. Measuring the fair value of an intangible asset acquired in a business combination.
IAS 39	Assessment of loan repayment penalties as embedded derivatives. Scope exemption for business combination contracts. Cash flow hedge accounting.
IFRIC 9	Scope of IFRIC 9 and IFRS 3 Revised
IFRIC 16	Amendment on the restriction on the entity that can hold hedging instruments.

(Expressed in thousands of Bahamian dollars)

3. Cash and balances with Central Bank

	2009	2008
Cash	$ 26,822	$ 26,789
Deposits with central bank - non-interest bearing	75,451	69,468
Cash and balances with central bank	102,273	96,257
Less: Mandatory reserve deposits with central bank	(48,965)	(51,659)
Included in cash and cash equivalents as per below	$ 53,308	$ 44,598

Mandatory reserve deposits with The Central Bank of The Bahamas ("The Central Bank") represent the Bank's regulatory requirement to maintain a percentage of deposit liabilities as cash or deposits with The Central Bank. These funds are not available to finance the Bank's day-to-day operations and, as such, are excluded from cash resources to arrive at cash and cash equivalents.

Cash and balances with The Central Bank are non-interest bearing.

Cash and cash equivalents

	2009	2008
Cash and balances with The Central Bank as per above	$ 53,308	$ 44,598
Due from banks, included in cash and cash equivalents	162,118	54,165
	$ 215,426	$ 98,763

4. Due from Banks

	2009	2008
Included in cash and cash equivalents (Note 3)	$ 162,118	$ 54,165
Greater than 90 days maturity from date of acquisition	146,713	108,285
Due from banks	308,831	162,450
Add: Accrued interest receivable	267	1,244
	$ 309,098	$ 163,694

Due from banks comprises deposit placements and include amounts placed with other FirstCaribbean Bank entities of $116,930 (2008: $12,682) and deposit placements with CIBC entities of $73,875 (2008: $2,921) (Note 22). Due from Banks include placements with FCIB Jamaica totalling $76,754 (2008: nil) (Note 22), which are pledged in favour of that bank in support of loans granted to certain of its customers. The effective yield on deposit placements during the year was 1.96% (2008: 1.5%).

5. Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

(Expressed in thousands of Bahamian dollars)

5. Derivative Financial Instruments (Continued)

The notional and fair value amounts under these contracts at October 31 are shown below:

		Fair Values	
	Contract/Notional Amount	Assets	Liabilities
October 31, 2009			
Interest rate swaps	$ 228,739	$ –	$ (50,833)
Foreign exchange forward	88,070	–	(2,781)
Short sales	18,844	–	(546)
		$ –	$ (54,160)
October 31, 2008			
Interest rate swaps	$ 447,651	$ –	$ (33,057)
Foreign exchange forward	82,534	178	–
Short sales	204,834	547	–
		$ 725	$ (33,057)

As of October 31, 2009 and 2008 the Bank has positions in the following types of derivatives:

Interest rate swaps
Interest rate swaps are contractual agreements between two parties to exchange movements in interest rates.

Foreign exchange forwards contracts
Foreign exchange forwards contracts are contractual agreements to buy or sell a specified amount of foreign currency at a future date at an exchange rate fixed at inception of the contract.

Derivative financial instruments held or issued for hedging purposes
As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to reduce its exposure to market risks. Fair value hedges are used by the Bank to protect it against changes in the fair value of specific financial assets due to movements in interest rates. The financial assets hedged for interest rate risk include fixed interest rate loans and available-for-sale securities, and are hedged by interest rate swaps.

For the year ended October 31, 2009, the Bank recognised losses on hedging instruments of $15,442 (2008: $12,432) and gains on hedged items attributable to the hedged risk of $11,875 (2008: $4,386), which is included in other operating income as part of net investment securities gains (losses).

Currency forwards represent commitments to purchase foreign currency including undelivered spot transactions. The counterparty is Canadian Imperial Bank of Commerce-Toronto.

(Expressed in thousands of Bahamian dollars)

6. Financial Assets at Fair Value through Profit or Loss

	2009	2008
Financial assets held for trading		
Government bonds	$ –	$ 4,869
Corporate bonds	–	65,859
Asset-backed securities	–	232,922
Other securities – investment fund	–	–
	–	303,650
Add: Interest receivable	–	1,286
Total financial assets held for trading	$ –	$ 304,936

The effective yield on the financial assets held for trading during the year was 5.08% (2008: 3.5%).

7. Other Assets

	2009	2008
Branch clearings	$ (3,493)	$ 12,621
Suspense accounts	(1,438)	(1,795)
Other accounts receivable, including clearings	5,395	18,398
Prepayments and deferred items	2,035	948
	$ 2,499	$ 30,172

8. Investment Securities

	2009	2008
Available-for-sale securities		
Government bonds	$ 312,946	$ 330,641
Corporate bonds	255,493	429,898
Total Available-for-sale securities	568,439	760,539
Add: Interest receivable	11,820	16,397
Total investment securities	$ 580,259	$ 776,936

Debt securities issued or guaranteed by the Government of The Bahamas amounted to $186,248 (2008: $150,999). The effective yield during the year on investment securities was 5.4% (2008: 5.8%).

The movement in investment securities may be summarised as follows:

	2009	2008
Balance, beginning of year	$ 760,539	$ 879,760
Additions	162,629	349,016
Disposals – sales and redemptions	(389,602)	(434,547)
Gain (loss) from changes in fair value (Note 16)	34,070	(34,134)
Gain from change in unamortized premium	803	444
Balance, end of year 2009	$ 568,439	$ 760,539

(Expressed in thousands of Bahamian dollars)

9. Loans and Advances to Customers

	Mortgages	Personal Loans	Business & Government Loans	2009 Total
Performing loans (Note 26)	$1,031,537	$ 253,795	$ 1,015,248	$2,300,580
Impaired loans (Note 26)	142,165	47,770	135,085	325,020
Gross loans	1,173,702	301,565	1,150,333	2,625,600
Less: Provisions for impairment	(11,296)	(18,103)	(45,926)	(75,325)
	$1,162,406	$ 283,462	$ 1,104,407	2,550,275
Add: Interest receivable				10,334
Add: Unearned fee incom				(18,853)
				$2,541,756

	Mortgages	Personal Loans	Business & Government Loans	2008 Total
Performing loans (Note 26)	$1,062,936	$ 277,865	$ 1,069,163	$2,409,964
Impaired loans (Note 26)	94,725	40,345	65,783	200,853
Gross loans	1,157,661	318,210	1,134,946	2,610,817
Less: Provisions for impairment	(12,908)	(21,790)	(30,122)	(64,820)
	$1,144,753	$296,420	$1,104,824	2,545,997
Add: Interest receivable				12,231
Add: Unearned fee income				(19,156)
				$2,539,072

Movement in provisions for impairment for 2009 is as follows:

	Mortgages	Personal Loans	Business & Government Loans	2009 Total
Balance, beginning of year	$ 12,908	$ 21,790	$ 30,122	$ 64,820
Identified impairment	(428)	2,916	15,919	18,407
Unidentified impairment	(78)	(466)	656	112
Recoveries of bad and doubtful debts	–	1,451	151	1,602
Bad debts written off	(1,106)	(7,588)	(922)	(9,616)
Balance, end of year	$ 11,296	$ 18,103	$ 45,926	$ 75,325

(Expressed in thousands of Bahamian dollars)

9. Loans and Advances to Customers (Continued)

Movement in provisions for impairment for 2008 is as follows:

	Mortgages	Personal Loans	Business & Government Loans	2008 Total
Balance, beginning of year	$ 10,193	$ 16,647	$ 14,899	$ 41,739
Identified impairment	2,552	5,078	14,656	22,286
Unidentified impairment	167	380	517	1,064
Recoveries of bad and doubtful debt	–	2,291	52	2,343
Bad debts written off	(4)	(2,606)	(2)	(2,612)
Balance, end of year	$ 12,908	$ 21,790	$ 30,122	$ 64,820

Ageing analysis of past due but not impaired loans for 2009

	Mortgages	Personal Loans	Business & Government Loans	2009 Total
Less than 30 days	$ 215,870	$ 29,775	$ 88,179	$ 333,824
31 – 60 days	50,029	7,227	73,491	130,747
61- 90 days	324	31	1	356
	$ 266,223	$ 37,033	$ 161,671	$ 464,927

Ageing analysis of past due but not impaired loans for 2008

	Mortgages	Personal Loans	Business & Government Loans	2008 Total
Less than 30 days	$ 181,944	$ 29,542	$ 45,681	$ 257,167
31 – 60 days	20,176	8,108	82,260	110,544
61- 90 days	298	12	48	358
	$ 202,418	$ 37,662	$ 127,989	$ 368,069

The average interest yield during the year on loans and advances was 6.6% (2008: 7.6%). For the year ended October 31, 2008, included in business loans are advances to FCIB Jamaica totalling $88,754 which are pledged in favour of that bank in support of loans granted to certain of its customers. These positions were liquidated during the current year.

Loan loss impairment is calculated as follows:

	2009	2008
Doubtful debt expense	$ 18,407	$ 22,286
Net movement in inherent risk provisions	112	1,064
Loan loss impairment for the year	$ 18,519	$ 23,350

(Expressed in thousands of Bahamian dollars)

10. Property and Equipment

	Land and Buildings	Equipment Furniture and Vehicles	Leasehold Improvements	Total 2009
Cost				
Balance, November 1, 2008	$ 18,350	$ 35,474	$ 13,255	$ 67,079
Purchases	1,255	1,577	922	3,754
Work-in-progress transfers	(1,133)	543	590	–
Disposals	–	(92)	(320)	(412)
Balance, October 31, 2009	18,472	37,502	14,447	70,421
Accumulated depreciation				
Balance, November 1, 2008	5,641	28,296	7,229	41,166
Depreciation (Note 19)	688	1,950	832	3,470
Disposals	–	(25)	(199)	(224)
Balance, October 31, 2009	6,329	30,221	7,862	44,412
Net book value, October 31, 2009	$ 12,143	$ 7,281	$ 6,585	$ 26,009

	Land and Buildings	Equipment Furniture and Vehicles	Leasehold Improvements	Total 2009
Cost				
Balance, November 1, 2007	$ 18,781	$ 34,135	$ 12,101	$ 65,017
Purchases	568	1,398	1,154	3,120
Disposals	(999)	(59)	–	(1,058)
Balance, October 31, 2008	18,350	35,474	13,255	67,079
Accumulated depreciation				
Balance, November 1, 2007	5,607	25,795	6,661	38,063
Depreciation (Note 19)	437	2,579	568	3,584
Disposals	(403)	(78)	–	(481)
Balance, October 31, 2008	5,641	28,296	7,229	41,166
Net book value, October 31, 2008	$ 12,709	$ 7,178	$ 6,026	$ 25,913

11. Retirement Benefit Assets and Obligations

The Bank has an insured group health plan and a pension plan. The pension plan is a mixture of defined benefit and defined contribution schemes. The defined benefit sections of the scheme are non-contributory and allow for additional voluntary contributions. The insured health plan allows for retirees to continue receiving health benefits during retirement. Independent actuaries value the plan every three years. The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out as at November 1, 2007. An interim actuarial review of the financial position of the plan was performed as at November 1, 2009. As at that date, the valuation revealed a Plan deficit of $10.4 million.

(Expressed in thousands of Bahamian dollars)

11. Retirement Benefit Assets and Obligations (Continued)

The amounts recognized on the consolidated balance sheet are determined as follows:

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2009	**2008**	**2009**	**2008**
Fair value of plan assets	$ 79,005	$ 76,659	$ –	$ –
present value of funded obligations	(79,417)	(73,826)	(3,840)	(3,785)
	(412)	2,833	(3,840)	(3,785)
Unrecognized actuarial gain	13,443	9,705	(352)	(222)
Net asset/(liability)	$ 13,031	$ 12,538	$ (4,192)	$ (4,007)

The pension plan assets include 987,000 (2008: 100,000) ordinary shares in the Bank, with a fair value of $1,034 (2008: $1,160).

The actual return on plan assets for the defined benefit sections of the pension plan was $627 (2008: $14,281).

The amounts recognized in the consolidated statement of income are as follows:

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2009	**2008**	**2009**	**2008**
Current service costs	$ 3,061	$ 3,278	$ 76	$ 80
Curtailment and settlement costs	124	(150)	226	8
Expected return on plan assets	(5,430)	(6,412)	–	–
Interest cost	4,585	4,248	10	216
Total amount included in staff costs (Note 19)	$ 2,340	$ 964	$ 312	$ 304

The movements in the net asset/(liability) recognized on the consolidated balance sheet are as follows:

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2009	**2008**	**2009**	**2008**
Balance, beginning of year	$ 12,538	$ 13,502	$ (4,007)	$ (3,814)
Charge for the year (Note 19)	(2,340)	(964)	(312)	(304)
Contributions paid	2,833	–	127	112
Employer premiums for existing retirees	–	–	–	(1)
Balance, end of year	$ 13,031	$ 12,538	$ (4,192)	$ (4,007)

(Expressed in thousands of Bahamian dollars)

11. Retirement Benefit Assets and Obligations (Continued)

Changes in the present value of the defined benefit obligation are as follows:

	2009	2008
Present value of funded obligation at beginning of year	$ 73,826	$ 68,189
Interest cost	4,585	4,248
Current service cost	3,061	3,278
Benefits paid	(1,032)	(1,314)
Actuarial gain on obligation	(1,023)	(575)
Present value of funded obligation at end of year	$ 79,417	$ 73,826

Changes in fair value of the plan assets are as follows:

	2009	2008
Fair value of plan assets at beginning of year	$ 76,659	$ 92,254
Expected return on plan assets	5,430	6,412
Benefits paid	(1,032)	(1,314)
Total contributions	3,451	-
Actuarial loss on plan assets	(5,503)	(20,693)
Fair value of plan assets at end of year	$ 79,005	$ 76,659

The Bank has implemented a contributions holiday and expects to contribute $nil to its defined benefit pension plan in 2010.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2009	2008
Equity instruments	53%	64%
Debt instruments	46%	35%
Cash and other	1%	1%

The overall expected rate of return on assets are determined based on the market prices including published brokers' forecasts prevailing on the date of valuation, applicable to the period that the obligation is to be settled.

The principal actuarial assumptions used at the balance sheet date are as follows:

	Defined Benefit Pension Plans	
	2009	2008
Discount rate	6.0 %	6.0%
Expected return on plan assets	7.0 %	6.0%
Future salary increases	4.5 %	4.5%
Future pension increases	2.5 %	2.5%

	Post Retirement Medical Benefits	
	2009	2008
Discount rate	6.0 %	6.0%
Premium escalation rate	4.5 %	4.5%
Existing retiree age	60	60

(Expressed in thousands of Bahamian dollars)

11. Retirement Benefit Assets and Obligations (Continued)

The present value of the defined benefit obligation, the related current service cost and past service cost was measured using the Projected Unit Method.

Amounts for the current and previous year are as follows:

	2009 $	2008 $	2007 $
Defined benefit obligation	(79,417)	(73,826)	(68,189)
Plan assets	79,005	76,659	92,254
(Deficit)/Surplus	(412)	2,833	24,065
Experience adjustments on plan liabilities	1,023	575	6,712
Experience adjustments on plan assets	(5,503)	(20,693)	4,503

Impact of changes in medical premium escalation rate
The impact of a 1% change in the medical premium escalation assumption on the sum of the current service cost and on the present value of the obligation is shown in the table below.

Item	Change of –1% in medical premium escalation rate	Current IAS 19 results	Change of +1% in medical premium escalation rate
Current Service Cost + Interest Cost	0.26	0.30	0.35
Present Value of Obligation	3.36	3.84	4.43

12. Goodwill

	2009	2008
Carrying amount, October 31	$ 187,747	$ 187,747

Based on the Bank's assessment of goodwill, there was no impairment charge for the year (2008: $ nil).

13. Customer Deposits

	Payable on demand	Payable after notice	Payable at a fixed date	2009 Total	2008 Total
Individuals	$ 112,972	$ 174,991	$ 793,279	$1,081,242	$1,135,107
Business and governments	584,623	40,878	742,708	1,368,209	1,494,242
Banks	345	–	520,431	520,776	796,207
	697,940	215,869	2,056,418	2,970,227	3,425,556
Add: Interest payable	–	–	15,737	15,737	19,454
	$ 697,940	$ 215,869	$2,072,155	$2,985,964	$3,445,010

Included in deposits from banks are deposits from other FirstCaribbean Bank entities of $477,564 (2008: $696,500) (Note 22) and deposits from CIBC entities of $158 (2008: $3,025).

The effective rate of interest on deposits during the year was 2.07% (2008: 2.8%).

(Expressed in thousands of Bahamian dollars)

14. Other Liabilities

	2009	2008
Accounts payable and accruals	$ 7,265	$ 6,675
Amount due to related parties (Note 22)	3,457	2,794
Payroll liabilities	408	508
Due to brokers and others	45	127
	$ 11,175	$ 10,104

The amount due to related parties refers to balances due to other FirstCaribbean Bank entities as well as CIBC.

15. Share Capital

The Bank's authorised capital is $20 million, comprising 150 million ordinary shares with a par value of $0.10 each and 50 million preference shares also having a par value of $0.10 each. All issued ordinary shares are fully paid. No preference shares were issued in 2009 and 2008. At October 31, 2009 and 2008, the issued share capital was as follows:

	Number of shares	Share par value	Share premium	Total
Ordinary shares, voting	120,216,204	$ 12,022	$ 465,208	$ 477,230

16. Share Capital and Reserves

Objectives, policies and procedures
Capital strength provides protection for depositors and creditors and allows the Bank to undertake profitable business opportunities as they arise.

The Bank's objective is to employ a strong and efficient capital base. Capital is managed in accordance with policies established by the Board of Directors (the "Board"). These policies relate to capital strength, capital mix, dividends and return of capital, and the unconsolidated capital adequacy of regulated entities. Each policy has associated guidelines, and capital is monitored continuously for compliance.

Each year a capital plan and three-year outlook are established, encompassing all the associated elements of capital: forecasts of sources and uses, maturities, redemptions, new issuance, corporate initiatives, and business growth. The capital plan is stress-tested in various ways to ensure that it is sufficiently robust under all reasonable scenarios. All of the elements of capital are monitored throughout the year, and the capital plan is adjusted as appropriate.

There were no significant changes made in the objectives, policies and procedures during the year.

Regulatory requirements
The Bank's regulatory capital requirements are determined in accordance with guidelines issued by the Central Bank. These guidelines evolve from the framework of risk-based capital standards developed by the Basel Committee, Bank of International Settlement.

Capital standards require that banks maintain minimum Tier 1 and Total capital ratios of 4% and 8% respectively. The Central Bank has established that Bahamian deposit-taking financial institutions maintain Tier 1 and Total capital ratios of the same respectively. During the year, the Bank has complied in full with all of our regulatory capital requirements.

Regulatory capital
Regulatory capital consists of Tier 1 and Tier 2 Capital, less certain deductions. Tier 1 Capital is comprised of common stock, retained earnings, and minority equity interest in consolidated subsidiaries, less goodwill and other deductions. Tier 2 Capital principally comprises hybrid capital instruments such as subordinated debt and general provisions and 45% of revaluation reserves on available-for-sale securities.

In 2009, both Tier 1 and Total Capital ratios were 18.85% and 19.46%, respectively (2008: 16.71% and 16.31% respectively).

Notes to Consolidated Financial Statements

For the year ended October 31, 2009
(Expressed in thousands of Bahamian dollars)

16. Share Capital and Reserves (Continued)

	2009	2008
Share capital (Note 15)	$ 477,230	$ 477,230
Reserves		
Statutory reserve fund – Turks and Caicos Islands	23,113	18,085
Statutory loan loss reserve – Bahamas	13,663	15,287
Revaluation reserve – Available-for-sale securities	(8,381)	(33,189)
Reverse acquisition reserve	(63,566)	(63,566)
Total reserves	(35,171)	(63,383)
Total share capital and reserves	$ 442,059	$ 413,847

Under the Banking (Amendment) Ordinance 2002 of the Turks and Caicos Islands (TCI), the Bank was required in 2004 to assign capital to the TCI operations in the amount of $24 million.

The movements in reserves were as follows:

	2009	2008
Statutory reserve fund – Turks and Caicos Islands		
Balance, beginning of year	$ 18,085	$ 12,000
Transfers from retained earnings	5,028	6,085
Balance, end of year	$ 23,113	$ 18,085

In accordance with the Banking (Amendment) Ordinance 2002 of the TCI and the regulations of the Financial Services Commission of the Turks and Caicos Islands, the Bank is required to maintain a statutory reserve fund of not less than the amount of its assigned capital. Where it is less than the assigned capital, the Bank is required to annually transfer 25% of its net profit earned from its TCI operations to this fund. The Bank's practice is to make this transfer based on net profits of the preceding fiscal year. During the year the Bank transferred $5,028 (2008: $6,085) from retained earnings to the statutory reserve fund.

	2009	2008
Revaluation reserve – available-for-sale securities		
Balance, beginning of year	$ (33,189)	$ (5,862)
Net gain (loss) from changes in fair value of available-for-sale securities (Note 8)	24,808	(27,327)
Balance, end of year	$ (8,381)	$ (33,189)

(Expressed in thousands of Bahamian dollars)

16. Share Capital and Reserves (Continued)

Regulatory capital (continued)

Statutory loan loss reserve – Bahamas	**2009**	**2008**
Balance, beginning of year	$ 15,287	$ 16,495
Transfers to retained earnings	(1,624)	(1,208)
Balance, end of year	$ 13,663	$ 15,287

Banking Regulations of The Central Bank of The Bahamas require a general provision in respect of the performing loans of at least one percent of these loans. To the extent the inherent risk provision for loans and advances to customers is less than this amount, a statutory loan loss reserve has been established and the required additional amount has been appropriated from retained earnings, in accordance with IFRS.

Reverse acquisition reserve

	2009	**2008**
Reverse acquisition reserve, beginning and end of year	$ (63,566)	$ (63,566)

Under the combination on October 11, 2002, CIBC West Indies became the legal parent company with Barclays transferring its operations to subsidiaries of CIBC West Indies in exchange, ultimately, for common shares and newly created classes of non-voting and preference shares of CIBC West Indies. Barclays was identified as the acquirer as the fair value of its business prior to the combination was significantly greater than the fair value of CIBC West Indies' business and as a result Barclays had the greater economic interest. This situation is described by IFRS as a reverse acquisition.

In accordance with IFRS, the equity of the combined Bank at October 11, 2002 comprised the equity of the Barclays branches and subsidiaries ($211,295), together with the fair value of the CIBC Bahamas business ($408,261), for a total of $196,966. However, the legal share capital and premium of the Bank comprises the issued share capital and premium of CIBC Bahamas plus the shares issued to effect the combination recorded at fair value for a total of $472,828 at October 11, 2002.

The reverse acquisition reserve represents the difference at October 11, 2002 between the required share capital and premium of the Bank ($472,828) together with the retained earnings of the Barclays Branches and Subsidiaries ($1,001) and the equity of the Bank presented in accordance with IFRS ($408,261).

17. Net Interest Income

	2009	**2008**
Interest and similar income		
Cash and short-term funds	$ 2,962	$ 13,129
Financial assets at fair value through profit or loss	3,342	19,363
Investment securities	40,502	42,410
Loans and advances	170,212	188,699
Reverse repos and other	–	4
	217,018	263,605
Interest and similar expense		
Banks and customers	65,764	104,446
Other borrowed funds	8,361	3,582
	74,125	108,028
Net interest income	$ 142,893	$ 155,577

(Expressed in thousands of Bahamian dollars)

18. Other Operating Income

	2009	2008
Fee and commission income	$ 18,727	$ 18,210
Net trading income - foreign exchange transactions	10,195	25,967
Net translation losses	(579)	(12,889)
Net trading securities losses	(9,433)	(9,833)
Net investment securities gains (losses)	801	(8,199)
Other operating income	5,631	2,761
	$ 25,342	$ 16,017

Net trading securities losses have arisen from either disposals and/or changes in the fair value, on both trading securities and derivatives held for trading.

Net investment securities gains (losses) have arisen from disposals of investment securities held as available-for-sale securities.

Analysis of fee and commission income:

	2009	2008
Fee and commission income		
Underwriting fees and commissions	$ 192	$ 395
Deposit services fees and commissions	6,479	5,742
Credit services fees and commissions	3,268	2,531
Card services fees and commissions	4,905	5,485
Funds transfer fees and commissions	3,452	3,651
Other fees and commissions	431	406
	$ 18,727	$ 18,210

(Expressed in thousands of Bahamian dollars)

19. Operating Expenses

	2009	2008
Staff costs	$ 39,116	$ 37,010
Occupancy and maintenance	10,715	10,563
Depreciation (Note 10)	3,470	3,584
Other operating expenses	17,778	13,183
	$ 71,079	$ 64,340

	2009	2008
Remuneration	$ 30,542	$ 31,029
Pension costs/(income):		
- defined benefit sections of the plan (Note 11)	2,340	964
- defined contribution section of the plan	402	394
Other post-retirement benefits (Note 11)	312	304
Share-based payments	271	328
Other staff related costs	5,249	3,991
	$ 39,116	$ 37,010

Analysis of other operating expenses:

	2009	2008
Professional fees	$ 1,629	$ 1,319
Advertising and marketing	106	67
Business development	424	778
Communications	2,051	1,425
Loss (gain) on sale of property & equipment	116	(236)
Other	13,452	9,830
	$ 17,778	$ 13,183

20. Earnings per share

Basic earnings per share

	2007	2008
Net income attributable to shareholders	$ 78,637	$ 83,904
Weighted average number of ordinary shares in issue	120,216	120,216
Basic earnings per share (expressed in cents per share)	65.4	69.8

The Bank has no dilutive securities.

(Expressed in thousands of Bahamian dollars)

21. Dividends Paid

	2009	2008
Declared and paid during the year		
First dividend $0.20 (2008-$0.25)	$ 24,043	$ 30,054
Final dividend $0.15 (2008-$0.20)	18,033	24,043
Total dividends declared and paid	$ 42,076	$ 54,097

At the Board of Directors meeting held on December 15, 2009, a final dividend of $0.16 per share amounting to $19,235 in respect of the 2009 net income was proposed and declared. The consolidated financial statements for the year ended October 31, 2009 do not reflect this resolution, which will be accounted for in equity as a distribution of retained earnings in the year ending October 31, 2010.

22. Related Party Transactions and Balances

As discussed in Note 1, the Bank's Parent and major shareholder is FirstCaribbean International Bank Limited who owns 95.2% of the Bank's ordinary shares. From October 11, 2002, FCIB's major shareholders were jointly CIBC and Barclays. On December 22, 2006, CIBC acquired Barclays's interest in FCIB and now owns 91.4% of the shares of The Bank's Parent (FCIB). The remaining shares are widely held.

A number of banking transactions are entered into with related parties in the normal course of business. Outstanding balances at year-end and transactions during the year are as follows:

	Directors and key management personnel		Major shareholder and associated banks		Ultimate Shareholder	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Balances:						
Due from banks	–	–	116,930	12,682	73,875	2,921
Loans and advances to customers	2,715	3,025	–	89,278	–	–
Other assets	–	–	11	–	570	–
Deposit liabilities	5,418	5,150	477,564	696,500	158	3,025
Other liabilities	–	–	3,457	2,794	102	–
Transactions:						
Interest income earned	105	141	2,580	4,493	392	6,829
Interest expense incurred	258	185	15,380	25,294	472	18,112
Other income	–	–	–	–	16,247	–
Other expenses*	–	–	3,447	2,300	1,294	68

* Expenses incurred in relation to banking and support services.

	2009	2008
Key management compensation		
Salaries and short term benefits	$ 2,715	$ 2,356

Directors' remuneration
In 2009, the total remuneration of the directors was $40 (2008: $40).

(Expressed in thousands of Bahamian dollars)

23. Contingent Liabilities and Commitments

The Bank conducts business that involves guarantees, performance bonds and indemnities, which are not reflected in the consolidated balance sheet. At the consolidated balance sheet date the following contingent liabilities and commitments exist:

	2009	2008
Letters of credit	$ 47,840	$ 45,558
Loan commitments (Note 26)	198,476	214,596
Guarantees and indemnities	47,055	42,466
	$ 293,371	$ 302,620

The Bank is the subject of legal actions arising in the normal course of business. Management considers that the liability of these actions, if any, would not be material. (Also see Note 26).

On December 19, 2008, the Bank entered into a $250 million credit facility with CIBC for general corporate purposes and the Bank is expected to treat the facility as back up liquidity facility. The maturity date is 364 days from the closing date with extension privileges for an additional 364 days. Advances would be available as LIBOR rate advances or Base Rate (Canada) Advances. Interest rates are at LIBOR + 300bps (pricing grid to be develop based on external ratings) or US Base rate +200 bps (pricing grid to be develop based on external ratings). As of October 31, 2009, no advances were made from the facility; all balances are undrawn.

24. Future Rental Commitments under Operating Leases

As at October 31, 2009, the Bank held leases on buildings for extended periods. The future rental commitments under these leases are as follows:

	2009	2008
Not later than 1 year	$ 2,912	$ 3,097
Later than 1 year and not more than 5 years	4,693	5,064
Later than 5 years	126	688
	$ 7,731	$ 8,849

25. Business Segments

Effective November 1, 2008, the Bank re-organised its lines of business by streamlining from five to two lines of business to establish a more customer-centric organization with greater emphasis on collaboration and sharing of knowledge, improved productivity and innovation.

The previous five main lines of business were Retail Banking, Credit Card Banking, Corporate Banking, Wealth Management, and Capital Markets. The two new lines of business are called Retail & Wealth Management (R&WM) and Corporate Investment Banking (CIB) and are supported by two separately reportable functional operating units, namely the Treasury Group (TST) and Other (which includes support functions such as Operations and Technology, Finance, Human Resources, and Risk).

The Wealth Management line of business was segregated and merged as follows:

- Personal Wealth and International Mortgage business were merged as part of R&WM; and
- Corporate International Wealth business was merged as part of Corporate Banking under CIB.

25. Business Segments (Continued)

The Credit Card Banking line of business was segregated and merged as follows:
- Issuing business was merged as part of R&WM; and
- Acquiring business was merged as part of Corporate Banking under CIB.

The Capital Markets line of business, along with the Corporate Finance unit of the previous Corporate Banking line of business were merged to form the Investment Banking unit of CIB to better leverage our resources to meet our clients' needs.

Retail and Wealth Management (R&WM)
This line of business assists individuals by providing a full range of financial products and services. Clients can access our services and products through our network of branches in the Caribbean, as well as, use the convenience of ABMs, Internet Banking, Telephone Banking and Cards (Issuing). Our Wealth Management centres help individuals achieve their financial goals through an array of investment products, deposit accounts, loans, mortgages and other services.

For Personal Wealth Management clients and Domestic clients who meet the Wealth Management criteria, the Bank offers traditional day-to-day banking services, investment advice, and a relationship management offering of being pro-active on client needs. The International Mortgage group provides funding in U.S. dollars, and other 'hard currencies' typically to non-residents of The Bahamas seeking to purchase homes for personal/investment use.

Corporate Investment Banking (CIB)
This line of business comprises two sub-segments: Corporate Banking and Investment Banking.

Corporate Banking provides a full range of corporate and commercial banking services, including Cards Merchant Acquiring business, to large and mid-size corporations and small businesses, governments, financial institutions, international trading companies and private wealth vehicles throughout the Caribbean. The Corporate International Wealth unit specializes in providing banking services to businesses and professional intermediaries who use international financial centres.

Investment Banking provides debt and equity capital markets and corporate finance products and services to large corporations, financial institutions and sovereigns.

The Treasury Group (TST) manages the interest rate, foreign exchange and liquidity risk of the Bank. In addition, the Treasury Group conducts foreign exchange transactions on behalf of Bank clients, where possible, and hedges fixed rate loans and investments with interest rate swaps.

Transactions between the business segments are on normal commercial terms and conditions.

Funds are ordinarily allocated between segments, resulting in funding costs transfers. Interest charged for these funds is based on the Bank's funds transfer pricing. There are no other material items of income or expense between the segments.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet, but exclude items such as taxation and intangible assets.

Internal charges and transfer pricing adjustments are reflected in the performance of each business.

Effective November 1, 2008, the Bank changed its transfer pricing methodology. The comparative year however was not restated to reflect these changes, as it was deemed impracticable to determine the cumulative effect at the beginning of the current period, of applying the new methodology to the prior period. Consequently, the impact of the new methodology will be reflected prospectively.

(Expressed in thousands of Bahamian dollars)

25. Business Segments (Continued)

	Retail & Wealth $	Corporate Investment Banking $	Treasury Sales & Trading $	Other $	Eliminations $	Total $
October 31, 2009						
External revenues	107,338	94,144	45,685	(124)	(4,683)	242,360
Revenues from other segments	(24,330)	6,932	17,398	–	–	–
Total revenues	83,008	101,076	63,083	(124)	(4,683)	242,360
Net income for the year	26,810	67,258	29,191	(44,622)	–	78,637
Total assets	1,308,733	1,360,664	1,064,457	186,885	(158,067)	3,762,672
Total liabilities	1,179,121	1,406,332	615,061	12,043	(157,067)	3,055,491
Other segment items						
Capital expenditure (Note 10)	–	–	–	3,754	–	3,754
Depreciation (Note 10)	–	–	–	3,470	–	3,470
Loan loss impairment (Note 9)	–	–	–	18,519	–	18,519

	Corporate Retail & Wealth $	Treasury Investment Banking $	Sales & Trading $	Other $	Eliminations $	Total $
October 31, 2008						
External revenues	106,469	113,602	76,282	(8,425)	(8,310)	279,618
Revenues from other segments	28,423	15,439	(43,858)	(4)	–	–
Total revenues	134,892	129,041	32,424	(8,429)	(8,310)	279,618
Net income for the year	55,485	73,843	(8,779)	(36,645)	–	83,904
Total assets	1,372,171	1,365,319	1,472,400	222,538	(294,438)	4,137,990
Total liabilities	1,436,648	1,295,582	1,041,921	11,465	(293,438)	3,492,178
Other segment items						
Capital expenditure (Note 10)	–	–	–	3,120	–	3,120
Depreciation (Note 10)	–	–	–	3,584	–	3,584
Loan loss impairment (Note 9)	–	–	–	23,350	–	23,350

Geographical segments are set out in Note 26 (C).

26. Financial Risk Management

A. Strategy in using financial instruments

By its nature the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances but the Bank also enters into guarantees and other commitments such as letters of credit and performance and other bonds.

B. Credit risk

Credit risk primarily arises from direct lending activities, as well as from trading, investment and hedging activities. Credit risk is defined as the risk of financial loss due to a borrower or counter party failing to meet its obligations in accordance with agreed terms.

Process and control

The Credit Risk Management Department ("CRMD") is responsible for the provision of the Bank's adjudication, oversight and management of credit risk within its portfolios, including the measurement, monitoring and control of credit risk.

The CRMD's credit risk approval authority flows from the Board and is further delegated to the Chairman and the Chief Risk Officer ("CRO"). The Credit Executive Committee is responsible for informing the CRO and Chairman of credit risk decisions. The Department is guided by the Bank's Delegation of Authority Policy. Delegation is based on exposure and risk level; where the credit decision relates to larger and or higher risk transactions the Credit Committee is responsible for the final decision.

The Risk and Conduct Review Committee is responsible for approving policy requirements and key risk limits.

Credit Risk Limits

Credit Limits are established for all loans (mortgages, personal and business & government) for the purposes of diversification and managing concentration. These include limits for individual borrowers, groups of related borrowers, industry sectors, country and geographic regions and products or portfolios. The Bank does not have excessive concentration in any single borrower, or related group of borrowers, industry sector or country.

Collateral

The Bank's employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances to customers are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

The Bank's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Bank's credit exposure.

Geographic distribution

The following table provides a distribution of gross loans and advances to customers. Amounts are before allowance for credit losses, and after credit risk mitigation, valuation adjustments related to the financial guarantors, and collateral on agreements.

(Expressed in thousands of Bahamian dollars)

26. Financial Risk Management (Continued)

B. Credit risk (continued)

Geographic distribution (continued)

	Drawn	Undrawn	Gross Maximum Exposure 2009	Drawn	Undrawn	Gross Maximum Exposure 2008
Bahamas	$2,258,967	$ 161,678	$2,420,645	$2,303,959	$174,353	$2,478,312
Turks & Caicos	366,633	36,798	403,431	306,858	40,243	347,101
	$2,625,600	$ 198,476	$2,824,076	$2,610,817	$214,596	$2,825,413

Exposures by industry groups

The following table provides an industry-wide break down of gross loans and advances to customers. Amounts are before allowance for credit losses, and after credit risk mitigation, valuation adjustments related to the financial guarantors, and collateral on agreements.

Exposures by industry groups (continued)

Gross	Drawn	Undrawn	Gross Maximum Exposure 2009	Drawn	Undrawn	Maximum Exposure 2008
Agriculture	$ 16,889	$ 2,103	$ 18,992	$ 15,548	$ 207	$ 15,755
Governments	295,025	2,588	297,613	257,293	5,145	262,438
Construction	212,323	14,361	226,684	195,265	23,296	218,561
Distribution	115,897	25,278	141,175	129,862	23,220	153,082
Education	-	-	-	2	-	2
Fishing	46,087	4,628	50,715	52,532	4,127	56,659
Health & social work	17,120	7,951	25,071	7	-	7
Hotels & restaurants	283,515	7,808	291,323	255,402	7,732	263,134
Individuals & individual trusts	1,042,419	94,532	1,136,951	1,024,195	96,304	1,120,499
Manufacturing	28,957	9,773	38,730	33,104	12,403	45,507
Mining & quarrying	188	-	188	90	9	99
Miscellaneous	262,681	15,163	277,844	322,615	23,338	345,953
Other financial corporations	12,541	1,916	14,457	14,065	4,323	18,388
Real estate, renting & other business activities	280,617	11,352	291,969	297,872	13,791	311,663
Transport, storage & communication	11,341	1,023	12,364	12,965	701	13,666
	$ 2,625,600	$ 198,476	$ 2,824,076	$ 2,610,817	$ 214,596	$ 2,825,413

26. Financial Risk Management (Continued)

B. Credit risk (continued)

Impaired financial assets and provision for credit losses

The Bank takes on exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counter party, borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The exposure to any single counterparty, including banks and brokers, is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral, including corporate and personal guarantees.

Derivatives

The Bank maintains strict control limits on net open derivative positions, that is, the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of consolidated balance sheet assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period since it is affected by each transaction subject to the arrangement.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Maximum exposure to credit risk

The maximum exposure to credit risk would be all consolidated balance sheet carrying values of all financial assets plus the off-balance sheet contingent liabilities and commitments (Note 23). The gross maximum exposure would be before allowance for credit losses and the effect of mitigation through the use of master netting and collateral arrangements.

The maximum exposure to credit risk within the customer loan portfolio would be all the consolidated balance sheet carrying values plus the off-balance sheet loan commitment amounts (Note 23). The gross maximum exposure within the customer loan portfolio would be before allowance for credit losses and the effect of mitigation through the use of master netting and collateral arrangements, plus the off-balance sheet loan commitments amount.

(Expressed in thousands of Bahamian dollars)

26. Financial Risk Management (Continued)

C. Geographical concentration of assets, liabilities and off-balance sheet items

The following note incorporates IAS 32 credit risk disclosures, IAS 30 geographical concentrations of assets, liabilities and off-balance sheet items disclosures and a public enterprise's IAS 14 secondary segment disclosures.

October 31, 2009	Total assets $	Total liabilities $	Credit commitments $	Capital expenditure $	Revenues $	Operating expenses $	Net income $
Bahamas	3,234,848	2,593,712	252,721	2,309	210,475	134,850	59,828
Turks & Caicos Islands	527,824	461,779	40,650	1,445	31,885	10,354	18,809
	3,762,672	3,055,491	293,371	3,754	242,360	145,204	78,637

October 31, 2008	Total assets $	Total liabilities $	Credit commitments $	Capital expenditure $	Revenues $	Operating expenses $	Net income $
Bahamas	3,554,690	2,971,199	260,141	2,419	241,723	164,915	63,792
Turks & Caicos Islands	583,300	520,979	42,479	701	37,899	7,453	20,112
	4,137,990	3,492,178	302,620	3,120	279,622	172,368	83,904

The Bank is managed based on the two lines of business, and it operates in two main geographical areas. The Bank's exposure to credit risk is concentrated in these areas.

Capital expenditure is shown by geographical area in which the property and equipment are located.

Geographic sector risk concentrations within the customer loan portfolio were as follows:

	2009	2009	2008	2008
Bahamas	$2,185,373	86%	$ 2,237,862	88%
Turks & Caicos Islands	356,383	14	301,210	12
	$2,541,756	100%	$ 2,539,072	100%

Credit quality
A mapping between the Bank's internal ratings and the ratings used by external agencies is shown in the table below. As part of the Bank's risk-rating methodology, the risk assessed includes a review of external ratings of the obligor. The obligor rating assessment takes into consideration the Bank's financial assessment of the obligor, the industry, and the economic environment of the country in which the obligor operates. In certain circumstances, where a guarantee from a third party exists, both the obligor and the guarantor will be assessed.

(Expressed in thousands of Bahamian dollars)

26. Financial Risk Management (Continued)

D. Credit rating system and credit quality per class of financial assets

Quality per FCIB	Standard & Poor's equivalent	Moody's Investor Services
High grade	AAA to BBB-	Aaa to Baa3
Standard	BB+ to B-	Ba to B3
Substandard	CCC+ to CC	Caa1 to Ca
Impaired	D	C

A credit scoring methodology is used to assess personal customers and a grading model is used for corporate clients. As well, an ageing analysis of the portfolio assists in the development of a consistent internal-risk rating system. This risk rating system is used for portfolio management, risk limit setting, product pricing, and in the determination of economic capital.

The effectiveness of the risk rating system and the parameters associated with the risk ratings are monitored within Credit Risk Management and are subject to an annual review.

The credit quality of financial assets is managed using internal credit ratings.

The table below shows the credit quality by class of asset for gross loans and advances to customers, based on the Bank's internal credit rating system. Amounts provided are before allowance for credit losses, and after credit risk mitigation, valuation adjustments related to the financial guarantors, and collateral on agreements.

Grade description	Performing High Grade $	Standard Grade $	Sub-Standard Grade $	Impaired $	2009 Total $
Loans and advances to customers					
-Mortgages	932,433	48,751	50,353	142,165	1,173,702
-Personal loans	240,593	5,945	7,257	47,770	301,565
-Business and government loans	915,781	25,974	73,493	135,085	1,150,333
Total (Note 9)	2,088,807	80,670	131,103	325,020	2,625,600

Grade description	Performing High Grade $	Standard Grade $	Sub-Standard Grade $	Impaired $	2009 Total $
Loans and advances to customers					
-Mortgages	1,008,055	34,408	20,473	94,725	1,157,661
-Personal loans	263,695	6,050	8,120	40,345	318,210
-Business and government loans	980,024	6,832	82,307	65,783	1,134,946
Total (Note 9)	2,251,774	47,290	110,900	200,853	2,610,817

26. Financial Risk Management (Continued)

E. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables. Market risk arises from positions in securities and derivatives as well as from the core retail, wealth and corporate businesses. The key risks to the Parent Group are interest rate, foreign exchange, and credit spread. Management of market risk within the Parent Group is therefore centralized which mirrors the way that the hard currencies are managed by Treasury Sales and Trading and although the local currency exposures are managed in their respective geographic regions, these exposures are still monitored, measured and controlled centrally from a market risk perspective.

Policies and standards:

The Parent Group has a comprehensive policy for market risk management related to its identification and to the measurement monitoring and control of those risks. This policy is reviewed and approved annually by the Risk and Conduct Review Committee. The policy includes the annual approval of the Board's limits which are used by the Parent Group to establish explicit risk tolerances expressed in term of the four main risk measures mentioned below. There is a three tiered approach to limits at the Parent Group. The highest limits are those set at the Board level, and the second level which includes a "haircut" from the Board limits are the Chief Risk Officer limits. The third level of limit is for the Treasury Sales and Trading Group, which limits traders to specific size of deal, documented through a formal delegation letter and these are monitored.

Process and control:

Market risk measures are monitored with differing degrees of frequency dependent upon the relative risk and speed with which the risk changes. FX positions, Value at risk (VaR) and certain P&L measures are all measured daily whereas others such as stress tests and credit spread sensitivity are performed on either a weekly or monthly basis. Detailed market risk compliance reports are produced and circulated to senior management on a monthly basis and a summary version is reported quarterly to the Parent Group Board.

Risk measurement:

The Bank has four main measures of market risk, which as noted above are calculated and managed at the Parent Group level and not by individual subsidiary or subsidiary grouping. These are:

- Outright position, used predominantly for FX,
- Sensitivity to a 1 basis point move in a curve, used for both interest rate and credit spread risk,
- Value at Risk (VaR) measures for both interest rate risk and for non-pegged currencies, and
- Stress scenarios based upon a combination of theoretical situations and historical events.

Position:

This risk measurement is used predominantly for the Parent Group's foreign exchange business. The measure produced and reported daily focuses upon the outright long or short position in each currency from both a pre-structural and post-structural basis. Any forward contracts or FX swaps are also incorporated.

Sensitivity:

The two main measures utilized by the Parent Group are the DV01 (delta value of a one basis point move, also known as the PV01 or Present value of a one basis point move) and the CSDV01 (Credit Spread Delta of a one basis point move). The DV01 measure is calculated for a one basis point move down in the yield curve. This generates the effect on earnings by individual currency of a parallel shift down in the related yield curve. As yield curves rarely move in a parallel fashion, it is measured across different tenors to ensure that there is no further curve risk of having for example a long position in the short end of the curve offset by a short position in the longer tenors. This is then utilized within the scenario analysis. The sensitivities are calculated using two different approaches a pre structural basis that focuses upon predominantly contractual date positions and also a post structural basis that considers core balances for non contractual maturities as well as assigning risk to capital and non-product general ledger accounts as well as considering market specific pricing situations such as exist in the Bahamas.

26. Financial Risk Management (Continued)

E. Market risk (continued)

Risk measurement: (continued)

Sensitivity: (continued)

The CSDV01 sensitivity was a new measure introduced in 2008 at the Parent Group as a way to monitor the risk of the spreads between the growing USD denominated, locally issued bond portfolio and the benchmark USD interest rate curve widening or narrowing as well as to look at the effect of that same type of credit spread move impacting the value of the USD structural hedge.

Value at risk:

The Parent Group's Value at Risk ("VaR") methodology utilizes the tested and validated CIBC parent models. It is a statistical and probability based approach that uses volatilities and correlations to quantify risk into dollar terms. VaR measures the potential loss from the adverse market movements that can occur overnight with a less than one percent probability of occurring under normal market conditions, based on equally weighted historical data. VaR uses numerous risk factors as inputs and is computed through the use of historical volatility of each risk factor and the associated correlations among them, evaluated over a one year period and updated on a regular basis. The use of these historical measures do cause a degree of limitation to its accuracy as it assumes that future price movements will follow a statistical distribution and thus may not clearly predict the future impact. The fact that VaR is an end of day measure and thus does not take into account intra-day moves is not a significant issue for the Parent Group as neither the trading nor non-trading portfolios are that active and the FX is controlled via trade and volume size limits. A further weakness of the VaR measure is that it does not estimate the effects of market variable moves outside of the ninety-nine percent parameter and hence may underestimate losses. To counter this, the Parent Group has various stress measures to calculate potential tail event losses.

Stress testing & scenario analysis:

Stress testing and scenario analysis are designed to add insight to possible outcomes of abnormal (or tail event) market conditions and to highlight where risk concentrations could be a concern.

The Parent Group has two distinct approaches to this. For the hard currency testing it sends its position sensitivity to CIBC and utilizes the suite of measures that the parent company has developed. The stress testing measures the effect on our hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are able to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The scenario analysis approach again for the Parent Group's hard currency exposures simulate an impact on earnings of extreme market events up to a period of one quarter. Scenarios are developed using actual historical data during periods of market disruption, or are based upon hypothetical occurrence of economic or political events or natural disasters and are designed by our parent company's economists, business leaders and risk managers. Examples of these would include the 1998 Russian led crisis, Fed Reserve tightening of 1994 and potential effects of revaluation of the Chinese currency. These tests are run on our behalf on a weekly basis.

The local currency stress tests are designed on a similar but smaller scale. For interest rate stresses, Market Risk in conjunction with Treasury Sales & Trading consider the market data over approximately the last ten years and identify the greatest curve or data point moves over both sixty day and single day periods. These are then applied to the existing positions/sensitivities of the Parent Group. This is performed and reported on a monthly basis as they do not tend to change rapidly. For foreign exchange stresses the Parent Group considers what the effect of a currency coming off a peg would have on the earnings of the Bank. This is largely judgmental as it has happened so infrequently in the region and it is supplemented by some historical reviews both within the region and in other areas where pegged currency regimes have or do exist.

(Expressed in thousands of Bahamian dollars)

26. Financial Risk Management (Continued)

E. Market risk (continued)

Interest rate risk

Interest rate risk in the trading book arises from the changes in interest rate affecting the future cash flows of the financial instruments in the outsourced investment portfolio. The investment manager hedges most of this risk as the particular strategy that they follow is a relative value approach as opposed to an outright interest rate call. Non-trading interest rate risk consists primarily of a combination of the risks inherent in asset and liability management activities and the activities of the core retail, wealth and corporate businesses. Interest rate risk results from differences in the maturities or re-pricing dates of assets both on and off-balance sheet.

As noted above, interest rate risk is measured, managed and monitored centrally from a Parent Group perspective, and the results and analysis is disclosed in the Parent Group's financial statements. Notwithstanding this fact, interest rate risk analysis was prepared for the Bank based on what was disclosed at the Parent Group level. As Parent Group's functional and presentational currency is in USD, the following analysis is done in USD terms and the foreign exposure and risk would be to currencies other than USD.

The following table shows the potential impact of an immediate one hundred basis point increase or decrease in interest rates over the next twelve months in USD equivalent.

	2009	**2008**
	$	**$**
100bp increase in interest rates		
Impact on net interest income	(2,000)	(2,000)
Impact on shareholders' equity	(6,600)	(6,700)
100bp decrease in interest rates		
Impact on net interest income	2,000	2,000
Impact on shareholders' equity	6,600	6,700

The Parent Group Board approved a post structural interest rate assumption approach as at September 30, 2008 and as a result, measurement limit monitoring and control were transferred to this approach. This is shown in the following table in USD equivalent.

	2009				**2008**			
Currency	**Post Structural DVO1**	**Contractual DV01**	**VaR**	**60 day Stressed Loss**	**Post Structural DV01**	**60 day Contractual DV01**	**VaR**	**Stressed Loss**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Bahamian Dollars	65.7	(14.5)	118	1,953	67.5	(13.1)	13.6	5,059

Foreign exchange risk

Foreign exchange (or currency) risk is defined as the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. A significant number of the regional currencies are pegged to the USD and the VaR measure is not appropriate. More emphasis is therefore placed on the overall position limit and related stress tests. The Board has set limits on positions by currency. Positions are monitored on a daily basis and Treasury Sales & Trading are solely responsible for the hedging of the exposure of the Bank.

As noted above, foreign exchange risk is measured, managed and monitored centrally from a Parent Group perspective and the results and analysis is disclosed in the Parent Group's financial statements. Notwithstanding this fact, foreign exchange risk analysis was prepared for the Bank based on what was disclosed at the Parent Group level. As Parent Group's functional and presentational currency is in USD, the following analyses are all done in USD terms and the foreign exposure and risk would be related to currencies other than USD.

(Expressed in thousands of Bahamian dollars)

26. Financial Risk Management (Continued)

E. Market risk (continued)

Foreign exchange risk (continued)

The following table highlights the currencies that the Bank had significant exposures to at each year end in USD equivalent.

	2009			2008		
Currency	**Position long/ (short)**	**Stressed Loss**	**Average Position**	**Position Long/ (short)**	**Stressed Loss**	**Average Position**
	$	$	$	$	$	$
Bahamian dollars	(3,540)	283	829	296	89	(702)
Barbados dollars	49	15	68	(82)	7	(72)
Canadian dollars	(1)	–	8	249	17	452
Euro dollars	(88)	9	452	(555)	39	1,615
Great Britain pounds	(264)	26	(2,059)	(58)	4	838

During 2008, the Parent Group introduced a measure to quantify non-trading foreign exchange risk, also referred to as post structural foreign exchange risk. This considers the effect of currency change on the Bank's investment in foreign operations, retained earnings and profit derived throughout the year in currencies other than the Parent Group's presentation currency of USD.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange rate risk at October 31. The off-balance sheet net notional position represents the difference between the notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Bank's exposure to currency movements, and their fair values.

Concentrations of assets, liabilities and credit commitments:

October 31, 2009	**BAH**	**US**	**Other**	**Total**
	$	$	$	$
Assets				
Cash and balances with Central Bank	79,718	9,615	12,940	102,273
Due from banks	15,562	178,556	114,980	309,098
Other assets	2,499	–	–	2,499
Investment securities	185,128	324,022	71,109	580,259
Loans and advances to customers	1,368,851	1,172,905	–	2,541,756
Property and equipment	20,140	5,869	–	26,009
Retirement benefit assets	11,343	1,547	141	13,031
Goodwill	186,582	1,165	–	187,747
Total assets	1,869,823	1,693,679	199,170	3,762,672
Liabilities				
Customer deposits	1,256,780	1,460,555	268,629	2,985,964
Derivative financial instruments	–	48,055	6,105	54,160
Other liabilities	320	10,855	–	11,175
Retirement benefit obligations	4,062	130	–	4,192
Total liabilities	1,261,162	1,519,595	274,734	3,055,491
Net on balance sheet position	**608,661**	**174,084**	**(75,564)**	**707,181**
Credit commitments (Note 23)	**112,927**	**177,474**	**2,970**	**293,371**

(Expressed in thousands of Bahamian dollars)

26. Financial Risk Management (Continued)

E. Market risk (continued)
Foreign exchange risk (continued)
Concentrations of assets, liabilities and credit commitments (continued)

	BAH $	US $	Other $	Total $
October 31, 2008				
Total assets	1,911,125	2,011,303	215,562	4,137,990
Total liabilities	1,733,361	1,491,500	267,317	3,492,178
Net on balance sheet position	177,764	519,803	(51,755)	645,812
Credit commitments (Note 23)	110,202	190,782	1,636	302,620

Derivatives held for asset and liability management (ALM) purposes
Where derivatives are held as hedges against either sizeable loans from core businesses or to reduce interest risk exposure to USD denominated local bond issues and the transactions meet the accounting criteria then the Bank applies hedge accounting. Derivative hedges that do not qualify for hedge accounting ant are considered to be economic hedges and are recorded at fair value on the balance sheet with changes in the fair value recognized through profit or loss. It should be noted that these are only interest rate risk hedges and other risks such as credit spread on the underlying still exist and are measured separately.

F. Cash flow and fair value interest rate risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which are monitored on an ongoing basis.

Expected repricing and maturity dates do not differ significantly from the contract dates, except for the maturity of deposits up to 1 month, which represent balances on current accounts considered by the Bank as a relatively stable core source of funding of its operations.

G. Liquidity risk
Liquidity risk arises from the Bank's general funding activities in the course of managing assets and liabilities. It is the risk of having insufficient cash resources to meet current financial obligations without raising funds at unfavourable rates or selling assets on a forced basis.

The Bank's liquidity management strategies seek to maintain sufficient liquid financial resources to continually fund the consolidated balance sheet under both normal and stressed market environments.

Process and control:
Actual and anticipated inflows and outflows of funds generated from on and off-balance sheet exposures are managed on a daily basis within specific short-term asset/liability mismatch limits by operational entity.

Potential cash flows under various stress scenarios are modelled using consolidated balance sheet positions. On a consolidated basis, prescribed liquidity levels under a selected benchmark stress scenario are maintained for a minimum time horizon.

(Expressed in thousands of Bahamian dollars)

26. Financial Risk Management (Continued)

G. Liquidity risk (continued)

Process and control (continued):
The Bank's liquidity measurement system provides daily liquidity risk exposure reports for monitoring and review by the Treasury department. The Bank's Assets and Liabilities Committee ("ALCO") is responsible for recommending the liquidity ratio targets, the stress scenarios and the contingency funding plans. The Bank's Board is ultimately responsible for the Bank's liquidity.

The Bank manages liquidity risk by maintaining a significant base of core customer deposits, liquid assets and access to contingent funding as part of its management of risk. The Bank has internally established specific liquidity requirements that are approved by ALCO and reviewed annually.

The table below analyses assets, liabilities and off-balance sheet positions of the Bank into relevant maturity groupings based on the remaining period at consolidated balance sheet date to the contractual maturity date.

Maturities of assets and liabilities

October 31, 2009	**0-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets	**$**	**$**	**$**	**$**	**$**
Cash and balances with central bank	102,273	–	–	–	102,273
Due from banks	309,098	–	–	–	309,098
Other assets	2,499	–	–	–	2,499
Investment securities	24,435	12,343	209,394	334,087	580,259
Loans and advances to customers	228,341	146,643	542,167	1,624,605	2,541,756
Property and equipment	–	–	3	26,006	26,009
Retirement benefit assets	–	–	–	13,031	13,031
Goodwill	–	–	–	187,747	187,747
Total assets	666,646	158,986	751,564	2,185,476	3,762,672
Liabilities					
Customer deposits	1,980,489	982,479	22,969	27	2,985,964
Derivative financial instruments	54,160	–	–	–	54,160
Other liabilities	11,175	–	–	–	11,175
Retirement benefit obligations	–	–	–	4,192	4,192
Total liabilities	2,045,824	982,479	22,969	4,219	3,055,491
Net on balance sheet position	(1,379,178)	(823,493)	728,595	2,181,257	707,181
Credit commitments	277,377	7,639	8,355	–	293,371

(Expressed in thousands of Bahamian dollars)

26. Financial Risk Management (Continued)

G. Liquidity risk (continued)

October 31,2008	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
Total assets	1,151,925	243,364	726,855	2,015,846	4,137,990
Total liabilities	2,769,778	687,290	30,953	4,157	3,492,178
Net on balance sheet position	(1,617,853)	(443,926)	695,902	2,011,689	645,812
Credit commitments	67,875	234,745	–	–	302,620

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

H. Fair values of financial assets and liabilities

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's consolidated balance sheet at fair value. Bid prices are used to estimate fair value of assets, whereas offer prices are applied for liabilities.

	Carrying value		Fair value	
	2009 Total $	2008 Total $	2009 Total $	2008 Total $
Financial assets				
Due from banks	309,098	163,694	309,098	163,694
Investment securities	580,259	776,936	580,259	776,936
Loans and advances to customers	2,541,756	2,539,072	2,631,642	2,589,367
Financial liabilities				
Customer deposits	2,985,964	3,445,010	3,045,876	3,450,406

26. Financial Risk Management (Continued)

H. Fair values of financial assets and liabilities (continued)

Due from banks
Due from banks include inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. Their carrying values approximate their fair values.

Loans and advances to customers
The estimated fair value of loans and advances represents the discounted amount of estimated future cash inflows. Expected cash flows are discounted at current market rates to determine fair value. The balances are net of specific and other provisions for impairment and their net carrying amounts reflect their fair values.

Investment securities
Fair value for investments designated as loans and advances is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. Where fair values still cannot be measured reliably, these securities are carried at cost less impairment. Available-for-sale securities are measured at fair value.

Customer deposits and other borrowed funds
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

27. Critical Accounting Estimates and Judgements in Applying Accounting Policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the consolidated balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input for these models is taken from observable markets where possible, but where this is not possible, a degree of judgement is required in establishing fair values. The judgement includes considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

ii) Loan fee recognition estimate
In accordance with IAS 18 Revenue, loan origination fees, relating to loans that have a high probability of being drawn down, are to be deferred (together with related direct costs) and recognized as an adjustment to the effective interest yield on the loan. As a result of this change, $18,853 (2008: $19,156) has been reclassified between other liabilities and loans and advances.

28. Fiduciary Activities

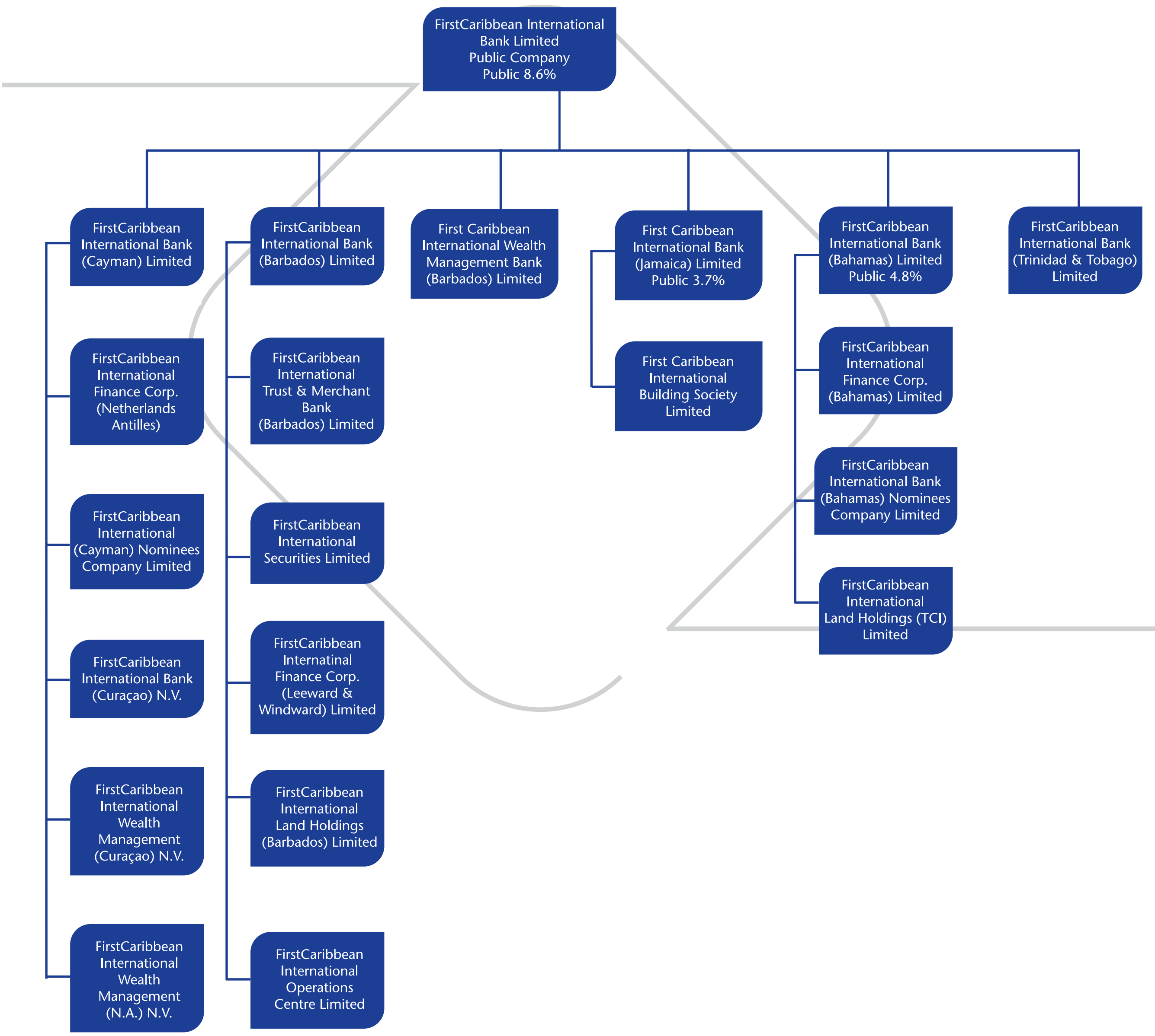
The Bank provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date, the Bank had investment assets under administration on behalf of third parties amounting to $3,275 (2008: $4,366).

29. Principal Subsidiary Undertakings

Name	Country of incorporation
FirstCaribbean International Finance Company (Bahamas) Limited	Bahamas
FirstCaribbean International (Bahamas) Nominees Company Limited	Bahamas
FirstCaribbean International Land Holdings (TCI) Limited	Turks & Caicos Islands

All subsidiaries are wholly owned.

Ownership Structure



Main Branches and Centres

ABACO ISLAND

Hope Town
PO Box AB-20402
Hope Town
Tel: (242) 366-0296
Fax: (242) 367-2156

Man-O-War Cay
PO Box AB-20402
Man-O-War
Tel: (242) 365-6420
Fax: (242) 367-2156

Marsh Harbour
PO Box AB-20402
Marsh Harbour
Tel: 242) 367-2166
Fax: (242) 367-2156

New Plymouth
PO Box AB-20401
New Plymouth
Green Turtle Cay
Tel: (242) 365-4144
Fax: (242) 367-2156

ELEUTHERA ISLAND

Governor's Harbour
PO Box EL-25022
Governor's Harbour
Tel: (242) 332-2300
Fax: (242) 332-2318

GRAND BAHAMA ISLAND

East Mall, Freeport
PO Box F-42556
The First Commercial Centre
East Mall Drive
Tel: (242) 352-6651
Fax: (242) 352-6655

Pioneer's Way, Freeport
PO Box F-42404
Pioneer's Way
Tel: (242) 352-8391
Fax: (242) 367-9712

NEW PROVIDENCE ISLAND

Bay Street
PO Box N-8350
Bay Street
Nassau
Tel: (242) 322-4921
Fax: (242) 328-7979

Harbour Bay
PO Box N-8350
East Bay Street
Nassau
Tel: (242) 393-2334
Fax: (242) 393-2560

Paradise Island
PO Box SS-6254
Paradise Village Shopping Centre
Paradise Island
Nassau
Tel: (242) 363-3588
Fax: (242) 363-2146

Marathon Mall
PO Box N-8329
Marathon Mall
Nassau
Tel: (242) 393-4386
Fax: (242) 394-0239

Palmdale
PO Box N-8350
Madeira Street
Nassau
Tel: (242) 322-1231
Fax: (242) 322-1121

RND Plaza West
PO Box N-8329
RND Plaza
John F Kennedy Drive
Nassau
Tel: (242) 323-2422
Fax: (242) 322-7851

Sandy Port
PO Box N-7125
Old Towne Mall
Nassau
Tel: (242) 327-8361
Fax: (242) 327-8324

Shirley Street
PO Box N-7125
Shirley Street
Nasau
Tel: (242) 322-8455
Fax: (242) 326-6552

Thompson Boulevard
PO Box N-8350
Thompson Boulevard
Nassau
Tel: (242) 323-6062
Fax: (242) 328-1717

Corporate Banking Centre
PO Box N-7125
Shirley Street
Nassau
Tel: (242) 356-1764
Fax: (242) 328-1690

Wealth Management Centre
PO Box N-8350
Shirley Street
Nassau
Tel: (242) 302-6000
Fax: (242) 302-6091

Card Services Centre
PO Box N-8329
Independence Drive
Nassau
Tel: (242) 394-8472
Fax: (242) 394-3655

Customer Service Centre
PO Box N-8350
Independence Drive
Nassau
Tel: (242) 502-6800
Fax: (242) 394-8238

Investment Banking
PO Box N-8350
Shirley Street
Nassau
Tel: (242) 322-8455
Fax: (242) 328-1690

FirstCaribbean Insurance Agency (Bahamas) Limited
Shirley & Charlotte Streets
PO Box N-8350
Nassau
Tel: (242) 322-7466
Fax: (242) 323-4450

Managing Director's Office
PO Box N-3221
Shirley Street
Nassau
Tel: (242) 325-7384
Fax: (242) 323-1087

TURKS & CAICOS ISLANDS

Grand Turk
PO Box 61
Cockburn Town
Grand Turk
Tel: (649) 946-2831
Fax: (649) 946-2695

Providenciales
PO Box 698
Leeward Highway
Providenciales
Tel: (649) 946-5303
Fax: (649) 946-5325

South Caicos
Lee Street
Cockburn Harbour
South Caicos
Tel: (649) 946-3268

Grace Bay
P.O. Box 698
Salt Mills Plaza
Grace Bay, Providenciales
Tel: (649) 941-4558
Fax: (649) 941-3017

Notice of Meeting

Notice is hereby given that the Fifteenth Annual General Meeting of FirstCaribbean International Bank (Bahamas) Limited will be held at 6:00 p.m. on Tuesday, March 30, 2010 at the British Colonial Hilton, Governor's Room, Number One Bay Street, Nassau, The Bahamas for the following purposes:

1. To receive and consider the minutes of the last Annual General Meeting held on May 28, 2009.

2. To receive and consider the Chairman's review.

3. To receive accounts for the year ended October 31st, 2009 and the report of the Directors and Auditors thereon.

4. To elect the following Directors:

   i. Sharon E. Brown
   ii. Terence R. Hilts
   iii. Joseph W.P. Krukowski
   iv. Michael K. Mansoor
   v. Willie Moss
   vi. G. Diane Stewart

5. To appoint Auditors of the Company and authorise the Directors to fix their remuneration.

6. Ratification of dividends for fiscal 2009.

7. To discuss any other business which may properly come before the Annual General Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Corporate Secretary
FirstCaribbean International Bank (Bahamas) Limited
March 5, 2010

Record Date
Holders of FirstCaribbean International Bank (Bahamas) Limited ordinary shares of record at the close of business on March 5, 2010 are entitled to vote at the meeting.

Financial Statements
The Company's audited financial statements for the year ended October 31, 2009 are included in the Company's 2009 annual report, which is enclosed as a part of the proxy soliciting material.

Proxies
Shareholders of the Company entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend and, in a poll, vote instead of them. A proxy need not be a shareholder of the Company. Any instrument appointing a proxy must be received at the offices of CIBC Trust (Bahamas) Limited, Registrar and Transfer Agents, Goodman's Bay Corporate Centre, West Bay Street, Nassau, The Bahamas not less than 48 hours before the Meeting. Shareholders who return completed proxy forms are not precluded, if subsequently they so wish, from attending the Meeting instead of their proxies and voting in person. In the event of a poll, their proxy votes lodged with the Registrar and Transfer Agent will be excluded.

Dividend
An interim dividend of fifteen cents ($0.15) per common share was paid on June 29, 2009. A final dividend of sixteen cents ($0.16) per common share for the fiscal year 2009 was approved by the Directors on December 15, 2009 and paid to shareholders on January 25, 2010. Total dividends paid for fiscal 2009 were thirty one cents ($0.31).

REGISTERED OFFICE: FirstCaribbean International Bank (Bahamas) Limited, FirstCaribbean Financial Centre, 2nd Floor, Shirley Street, Nassau, The Bahamas.

Directors' Report

Directors
In accordance with the Memorandum and Articles of Association, the following Directors cease to hold office at the end of the Annual General Meeting, and being eligible offer themselves for re-election:

i. Sharon E. Brown
ii. Terence R. Hilts
iii. Joseph W.P. Krukowski
iv. Michael K. Mansoor
v. Willie Moss
vi. G. Diane Stewart

Directors' Interest
As at October 31, 2009, particulars of Directors' shareholdings in the issued capital of the Company are as follows:

COMMON SHARES OF NO PAR VALUE

	Beneficial Interest	Non-Beneficial Interest
1. Terence Hilts	31,220	nil
2. Sharon E. Brown	422	

Financial Results and Dividends
The Directors report that the Company's net income for the year ended October 31, 2009 amounted to $78,637. All statutory requirements for the year ended October 31, 2009 have been fulfilled.

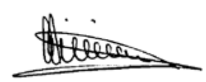
An interim dividend of fifteen cents ($0.15) per common share was paid on June 29, 2009. A final dividend of sixteen cents ($0.16) per common share for the fiscal year 2009 was approved by the Directors on December 15, 2009 and paid to shareholders on January 25, 2010. Total dividends paid for fiscal 2009 were thirty one cents ($0.31).

Share Capital
Substantial Interest as at October 31, 2009*
Common Shares of B$0.10 par value

1. FirstCaribbean International Bank – 114,463,600 (95.21%)

*Substantial interest means a holding of 5% or more of the company's issued share capital.

BY ORDER OF THE BOARD



Teresa S. Williams
Corporate Secretary
March 5, 2010

We are providing these proxy materials in connection with the solicitation by the Board of Directors of FirstCaribbean International Bank (Bahamas) Limited, of proxies to be voted at the Company's 2009 Annual General Meeting of Shareholders and at any meeting following adjournment thereof.

Shareholders are advised that no shareholder proposal has been filed and no action is proposed by the Board of Directors which would create the possibility of a "dissenting shareholder" under Section 168 of The Companies Act, 1992. The Board of Directors is also not aware of any solicitation of proxies by a person or group adverse to present management of this Company."

You are cordially invited to attend the annual meeting on March 30, 2010 beginning at 6:00 p.m. E.S.T. Shareholders will be admitted beginning at 5:30 p.m. E.S.T. The meeting will be held at the British Colonial Hilton, Governor's Room, Number One Bay Street, Nassau, The Bahamas.

This financial year of FirstCaribbean International Bank (Bahamas) Limited began on November 1, 2008 and ended October 31, 2009. References in this proxy statement to the year 2009 or financial 2009 refer to the period as mentioned above.

We are mailing this proxy statement and accompanying forms of proxy and voting instructions to holders of the Company's ordinary shares on March 5, 2010, the record date for the meeting.

PROXIES AND VOTING PROCEDURES

The Board of Directors and the Management of the Company do not contemplate the solicitation of proxies otherwise than by mail.

A shareholder has the right to appoint a person or company (who need not be a shareholder), other than the persons designated by the Directors as proxy holders in the accompanying form of proxy, to represent the shareholder at the meeting by striking out the names of the persons so designated and inserting the name of the chosen proxy holder in the blank space provided for that purpose in the form of proxy, or by completing and signing another proper form of proxy. A proxy must be in writing and must be executed by the shareholder or by an attorney authorised in writing and deposited at the offices of CIBC Trust (Bahamas) Limited, Goodman's Bay Corporate Centre, West Bay Street, Nassau, The Bahamas. A shareholder who executes and returns the accompanying form of proxy may revoke it by an instrument in writing executed by such shareholder or attorney authorised in writing and deposited at the offices of CIBC Trust (Bahamas) Limited, Registrar and Transfer Agents at Goodman's Bay Corporate Centre, West Bay Street, Nassau, The Bahamas at any time up to and including the last business day preceding the day of the meeting, or with the Chairman of the meeting on the day of the meeting prior to the commencement thereof, or in any other manner permitted by law.

All shares entitled to vote and represented by properly completed proxies received prior to the meeting and not revoked will be voted at the meeting in accordance with your instructions. If you do not indicate how your shares should be voted on a matter, the shares represented by your properly completed proxy will be voted as the Board of Directors recommends.

If any other matters are properly presented at the annual meeting for consideration, including, among other things, consideration of a motion to adjourn the meeting to another time or place, the persons named as proxies and acting thereunder will have discretion to vote on those matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. At the date this proxy statement went to press, we did not anticipate that any other matters would be raised at the meeting.

Shareholders Entitled to Vote

Shareholders at the close of business on the record date are entitled to notice of and to vote at the annual meeting.

On March 5, 2010 there were 120,216,204 ordinary shares of par value $0.10 each outstanding. Each share is entitled to one vote on each matter properly brought before the meeting.

At close of business on March 5, 2010 FirstCaribbean International Bank Limited beneficially owned or controlled directly or indirectly 114,463,600 shares which represents 95.21% of the Company's issued ordinary shares.

QUORUM AND REQUIRED VOTE

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote generally for the election of Directors is necessary to constitute a quorum at the meeting. For purposes of determining a quorum, abstentions are counted as present and are entitled to vote. Pursuant to the Articles of Association, three persons, each being a member entitled to attend and vote at the meeting, or a proxy for such a member, or the duly authorised representative of a corporate member so entitled, shall be a quorum.

ELECTION OF DIRECTORS

The articles of the Company currently provide that the Board of Directors of the Company shall consist of a minimum of five (5) and a maximum of twelve (12) directors, with the actual number of directors to be determined from time to time by the Board of Directors.

Directors can be either elected annually by the shareholders at the annual meeting of shareholders or, subject to the articles of the Company and applicable law, appointed by the Board of Directors between annual meetings. Each director shall hold office until the close of the next annual meeting of shareholders or until he or she ceases to be a director by operation of law or articles of Association of the Company or until his or her resignation becomes effective. By resolution of the Board of Directors, the number of directors has been fixed at eight (8) effective upon the election of directors at the Meeting.

The Board of Directors held six (6) meetings in 2009.

The persons designated as proxy holders in the accompanying form of proxy will vote ordinary shares represented by such form of proxy, properly executed, for the election of the nominees whose names are set forth herein, unless specifically directed to withhold a vote. All the nominees were previously elected by the shareholders of the Company as directors of the Company.

If any nominee is for any reason unavailable to serve (which management has no reason to believe to be the case), the persons designated as proxy holders in the accompanying form of proxy shall have the right to exercise their discretion by voting for another qualified nominee.

The following table sets out the names of all persons proposed to be nominated for election as Directors, along with other relevant information. All nominees are now members of the Board of Directors.

COMPENSATION OF DIRECTORS

Each director who is not an employee of FirstCaribbean International Bank (Bahamas) Limited is paid a fee of $2,500.00 per meeting for his or her services as a director. Directors are also entitled to reimbursement for reasonable travel and living expenses incurred by them in attending any Board of Directors or committee meetings.

No special remuneration was paid to any director during financial year 2009.

SENIOR MANAGEMENT COMPENSATION

The senior management of the Company received aggregate compensation amounting to B$2,100,613 in the financial year 2009.

INDEBTEDNESS OF MANAGEMENT

There is a total indebtedness of approximately B$2,608,716 due to the Company from members of the senior management and directors. This represents loans and mortgages.

MANAGEMENT'S INTEREST IN TRANSACTIONS

No director, executive officer, or senior officer of the Company, or proposed nominee for election as a director of the Company, has held or currently holds a material interest in any transaction entered into by the Company or its subsidiaries.

SHARE OPTION PLAN

There is no share option plan.

SHAREHOLDER FEEDBACK AND COMMUNICATION

The Company's communications policy is reviewed by the Board of Directors of the Company periodically and provides that communications with all constituents will be made in a timely, accurate and effective manner. The Company communicates regularly with its shareholders through press releases, and annual and quarterly reports. At the Company's shareholders' meetings, a full opportunity is afforded to permit shareholders to ask questions concerning the Company's activities. Investor and shareholder concerns are addressed on an ongoing basis through the office of the Corporate Secretary.

APPOINTMENT OF AUDITORS

At the meeting, the shareholders will be called upon to appoint auditors of the Company at a remuneration to be fixed by the Board of Directors and to serve until the close of

Name and Position	Principal Occupation	Director Since	Number of Shares Beneficially Owned or Controlled Directly or Indirectly
Michael Mansoor	Executive Chairman, FirstCaribbean International Bank	1999	Nil
Sharon Brown	Executive Director, Managing Director	2002	422
J. W. P. Krukowski	Chairman, Doctor's Hospital Health System Ltd	1997	Nil
Terence Hilts	Retired Banker	1997	31,220
Willie Moss	Attorney-at-law	1998	Nil
G. Diane Stewart	Attorney-at-law	2002	Nil
Jan-Arne Farstad	Executive Director, International Banking	2004	Nil

the next annual meeting of the Company. To be effective, the resolution appointing auditors of the Company must be approved by the majority of the votes cast by the holders of Ordinary Shares present in person, or represented by proxy, at the Meeting.

Arrangements will be made for one or more representatives of the proposed auditors to attend the meeting.

OTHER BUSINESS

The management of the Company knows of no matters to come before the meeting other than the matters referred to in the Notice of Annual Meeting. However, if any other matters which are not known to the management of the Company should properly come before the Meeting, forms of proxy given pursuant to this solicitation by the management of the Company will be voted on, such matters in accordance with the best judgment of the person voting the proxy.

DIRECTORS' APPROVAL AND CERTIFICATE

The contents and the sending of this Information Circular and Proxy Form have been approved by the Board of Directors of the Company. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Dated at the City of Nassau, New Providence Island in the Commonwealth of The Bahamas this March 5, 2010.

MICHAEL K. MANSOOR
Chairman

TERESA S. WILLIAMS
Corporate Secretary

Proxy Form

The undersigned .... (please print) of

(please print) ....

being a shareholder of FirstCaribbean International Bank (Bahamas) Limited ("the Company") hereby appoints Mr. Michael K. Mansoor, or failing him, Sharon E. Brown, or instead or either of them, ...

or .... as proxy of the undersigned to attend and vote at the Annual General Meeting of Shareholders ("the meeting") of the Company to be held on March 30, 2010 and at any adjournment thereof, notice of the meeting, together with the accompanying financial statements and the Information Circular having been received by the undersigned, and on behalf of the undersigned to vote as specifically directed below.

1. Specified in the accompanying Information Circular:

Michael K. Mansoor, Chairman	VOTE FOR ___	WITHHOLD FROM VOTING ___
Sharon E. Brown	VOTE FOR ___	WITHHOLD FROM VOTING ___
Terence Hilts	VOTE FOR ___	WITHHOLD FROM VOTING ___
Willie Moss	VOTE FOR ___	WITHHOLD FROM VOTING ___
G. Diane Stewart	VOTE FOR ___	WITHHOLD FROM VOTING ___
J.W.P. Krukowski	VOTE FOR ___	WITHHOLD FROM VOTING ___

2. To vote for or withhold from voting on the appointment of Auditors of the Company and to authorise the Directors to fix their remuneration:

   VOTE FOR ___ WITHHOLD FROM VOTING ___

3. To vote in their discretion upon any other business which may properly come before the meeting or any adjournment thereof.

The undersigned revokes any prior proxies to vote the shares covered by this proxy.

This proxy is solicited on behalf of the Management of the Company and will be voted as directed in the spaces provided above or, if no direction is given, it will be voted in the affirmative for each of the above proposals.

Dated this .... day of .... A.D., 2010

Corporate Seal ....

Notes:
The persons named in this proxy are Officers of the Company. Each shareholder submitting the proxy shall have the right to appoint a person or company to represent him/her at the meeting other than the persons designated above. To exercise this right, the shareholder may insert the name of the desired representative in the blank space provided and strike out the other names or may submit another appropriate proxy.

In order for this form of proxy or other appropriate forms of proxy to be valid, it must be signed and should be dated by the shareholder or the shareholder's attorney. The signature should be exactly the same as the name in which the shares are registered. The proxy must be sent by mail or hand-delivered to the offices of CIBC Trust (Bahamas) Limited, Registrar and Transfer Agents, Goodman's Bay Corporate Centre, West Bay Street, no later than 48 hours before the time for holding the meeting. If this form of proxy is received undated but otherwise properly executed, it will for all purposes be deemed to be dated March 26, 2010.

FIRSTCARIBBEAN
INTERNATIONAL BANK

GET THERE. TOGETHER.

www.firstcaribbeanbank.com

Anguilla
Antigua and Barbuda
The Bahamas
Barbados
Belize
British Virgin Islands
The Cayman Islands
Curaçao
Dominica
Grenada and Carriacou
Jamaica
St. Kitts and Nevis
St. Lucia
St. Maarten
St. Vincent and the Grenadines
Trinidad and Tobago
Turks and Caicos Islands